PRINCIPLES OF BOOKKEEPING

Complete Course

MINER AND ELWELL

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MINER AND ELWELL SERIES

PRINCIPLES OF BOOKKEEPING

COMPLETE COURSE

ILLUSTRATING THE JOURNAL METHOD OF CLOSING THE LEDGER

BY

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PREFACE

The modern business world demands of its employees economy and efficiency, and the commercial training in our schools, to be successful, must meet this demand of the business world by texts whose value is educational as well as practical. Such a text the authors have tried to furnish in this volume. Their aim has been an elementary book which shall present a simple, practical study of the basic facts of bookkeeping in a manner that will command the interest of the pupil and that will impress upon his mind the methods and practices of the office as well as the duties and technical knowledge and vocabulary of the bookkeeper and the accountant. The grading and development of the work, its classification, the terms used, and the forms adopted all have the same aim, — the making of an efficient, well-informed bookkeeper.

To apply a principle is of far more practical value than the ability to define it, and in this text principles are described and applied by the pupils before they are formally defined for them. This inductive method, characteristic of the entire book, stimulates the pupil to think for himself and to cultivate the self-reliance and independence so universally demanded of him. The numerous exercises and illustrations used in the approach to a given subject, and the many and varied reviews and problems, are positive factors in appealing to and developing this independence.

As a basis for the elementary work, the authors have adopted the pupil's own knowledge of simple business transactions, — the exchange of values with which he is already familiar in the buying of many of the articles used in the home. Thus the new subject is approached with confidence through well-known operations.

A number of sets are arranged for business practice which may be carried out as fully as the instructor desires; for since all of this work is optional, it may be fitted to the needs of the individual class. The business practice may be omitted in any set at the discretion of the instructor.

The introduction of a retail set in which a cash journal is used, and of a set presenting departmental bookkeeping, add to the extent and the value of the work.

The authors wish to acknowledge their indebtedness to the following persons for helpful suggestions and criticisms of the manuscript: Henry R. Hatfield, Professor of Accounting, University of California; Stephen W. Gilman, Professor of Business Administration, University of Wisconsin; John R. Wildman, Professor of Accounting, New York University; J. A. Book, Head of the Commercial Department, South Division High School, Milwaukee, Wisconsin; Ivan E. Chapman, Head of the Commercial Department, Northwestern High School, Detroit, Michigan; Elizabeth Campbell, Commercial Department, High School, Somerville, Massachusetts; Myron F. Palmer, Principal Bay Path Institute, Springfield, Massachusetts.

Business men, bookkeepers, and certified public accountants have also been consulted freely regarding many features of the text, and their practical suggestions have added to the working value of the book.

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PRINCIPLES OF BOOKKEEPING

CHAPTER I

FUNDAMENTAL PRINCIPLES

BUSINESS TRANSACTIONS EXPLAINED

Business Transactions. A business transaction is an exchange of values; that is, one value is given in return for another.

Property. In some transactions some form of *property* is exchanged for money.

ILLUSTRATION. A man bought a table for cash, $30. What was the value received? the value parted with?

Use, or Hire. In other business transactions the value received or parted with is the *use*, or the *hire*, of property which belongs to another.

ILLUSTRATION. You hired a horse and carriage at a livery for an afternoon drive for which you paid cash, $3. What was the value received? the value parted with?

Labor, or Service. In still another kind of business transaction the value received or parted with is *labor*, or *service*.

ILLUSTRATION. A merchant hired a young man as a clerk and at the end of each week paid him cash, $10. What was the value received? the value parted with?

Promises. In some business transactions the value received or parted with is an oral or an implied *promise*.

ILLUSTRATION. A jeweler sold Henry Bird a watch for which he was to receive $20, in 1 mo. The value received by the jeweler was the promise of Henry Bird, and the value parted with was the watch.

Exercise 1. Business Transactions

For Oral Work

Name the value received and the value parted with in each of the following transactions:

Property:

1. A young man bought a pair of skates for cash, $3.
2. You bought a hat for cash, $2.

3. A man bought an automobile for cash, $1000.

4. A man bought a piano for his daughter for cash, $400.

5. A sportsman owned a rifle which he sold for cash, $25.

Use, or Hire:

1. A merchant rented a store for which he paid cash, each month, $75.

2. A doctor rented a suite of rooms in a business block for which he paid cash, each month, $50.

3. You hired an automobile for one hour for which you paid cash, $3.

4. A man borrowed $300 from a neighbor and at the end of 2 mo. he returned it and paid cash, $3, as interest.

5. You loaned $50 for 6 mo. which was repaid to you at the end of the time, with cash, $1.50, as interest.

Labor, or Service:

1. A man paid a boy cash, 75¢, for shoveling the snow from his sidewalk.

2. You gave a doctor cash, $20, for attending you during an illness.

3. A bookkeeper received cash, $60, for his monthly salary.

4. A messenger delivered some packages for you for which you paid him cash, $1.

5. You paid a stenographer cash, $10, for copying a manuscript.

Promises:

1. A tailor sold John Larson a suit of clothes for $35, to be paid for in 20 da.

2. A grocer sold John Fallon a barrel of flour for $6, to be paid for in 10 da.

3. A dealer sold John Kenyon a Morris chair for $15, to be paid for in 20 da.

4. You bought of Connor & Co. a set of books for $12, to be paid for in 1 mo.

5. A woman bought of Searle & Son a writing desk for $18, to be paid for in 30 da.

Exercise 2. Business Transactions

For Oral Work

Name the value received and the value parted with in each of the following representative transactions from the business of a merchant, John A. Weeks:

Feb. 1. Bought of L. A. Crane, for cash, 2050 yd. cambric at 5¢.

2. Sold E. C. Lyman, for cash, 550 yd. cambric at 7¢.

Feb. 3. Sold John Lester, for cash, 260 yd. cambric at 7¢.
4. Bought of H. A. Lowney, for cash, 1020 yd. fancy gingham at 9¢.
5. Sold James Wade, for cash, 320 yd. fancy gingham at 12¢.
6. Sold James Snyder, for cash, 75 yd. cambric at 7¢.
8. Bought of Henry A. Wren, for cash, 500 yd. cambric at 5¢.
9. Sold Horace Jensen, for cash, 275 yd. cambric at 7¢.
10. Bought of Henry Taylor, for cash, 250 yd. fancy gingham at 9¢.
11. Sold Miller & Co., for cash, 200 yd. fancy gingham at 12¢.
12. Sold Jones & Son, for cash, 450 yd. cambric at 7¢.
13. Sold John S. Reed, for cash, 250 yd. fancy gingham at 12¢.
15. Sold Wilson & Allen, for cash, 300 yd. cambric at 7¢.
16. Sold Henry Winters, for cash, 150 yd. cambric at 7¢.

Merchandise and Cash. The technical term applied to goods bought to be sold is *merchandise*; that applied to all forms of money, and business papers which pass as money, is *cash*. Cash includes gold, silver, paper money, checks, money orders, etc.

Exercise 3. Business Transactions

For Written Work

Take a sheet of paper and draw a line through the middle of the page from the top to the bottom. On the left side of the line write the technical name of the value received, and on the right side of the line write the technical name of the value parted with, for each transaction in Exercise 2.

The transactions of *Feb. 1* and *2* will appear as follows, in the order named:

Mdse. Purchases	$102.50	Cash	$102.50
Cash	38.50	Mdse. Sales	38.50

Exercise 4. Business Transactions

For Written Work

Work out in the same form as in Exercise 3 the following representative transactions from the business of a merchant, Richard S. Rowe:

SUGGESTION. As a review this exercise may be used orally.

March 1. Bought of N. P. Weston, for cash, 400 bu. wheat at $1.
2. Sold Wm. Dresser, for cash, 100 bu. wheat at $1.25.
3. Paid Henry A. Milton cash, for rent of the store for 1 mo., $28.

A receipt similar to the one illustrated in the following script form would be received by Richard S. Rowe from Henry A. Milton.

The value received was the use of the store, and the name of this value is *Rent Paid.*

Albany, N.Y. Mar. 3, 19—

Received of Richard S. Rowe

Twenty-eight 00/100 Dollars

for rent of store for March

$ 28.00 Henry A. Milton

A RECEIPT

March 4. Bought of Henry N. Curtis, for cash, 200 bu. rye at $1.

5. Bought of A. L. Waters 50 bu. clover seed at $6, and Mr. Rowe agreed to pay for it in 30 da.

In this transaction the value received is the 50 bu. of clover seed, and the value parted with is the stated or implied promise to pay for it in 30 da.

6. Sold Harry M. Wells 80 bu. wheat at $1.25, and he agreed to pay for it in 10 da.

The transactions for *March 5* and *6* will appear on the written sheet as follows:

Mdse. Purchases	$300	Promise to A. L. Waters	$300
Promise of Harry M. Wells	100	Mdse. Sales	100

8. Sold Henry Dawson, on account, 60 bu. rye at $1.30.

In this transaction *on account* means that the goods sold are to be paid for at some future time. A promise was received.

9. Sold Henry Cook, on account, 120 bu. wheat at $1.25.

10. Sold Henry C. Baker, for cash, 12 bu. clover seed at $7.50.

11. Received of Henry Dawson cash, to apply on account, $50.

Henry Dawson's promise given *March 8* is here redeemed.

In this transaction *to apply on account* means that a *part* of what was owed on a given account was paid.

12. Bought of Carey & Co., on account, 200 bu. wheat at $1.

13. Bought of Lee & Wise, for cash, 100 bu. rye at $1.

15. Bought of T. A. Larson, for cash, 3 T. coal for office use at $7.

The name of the value received is *Fuel.*

16. Sold Henry D. Wilson, for cash, 150 bu. rye at $1.30.

March 17. Sold John S. Wise, on account, 18 bu. clover seed at $7.50.

18. Received of Henry Cook cash, to apply on account, $100.

19. Received of Henry Dawson cash, in full of account, $28.

In full of account means that *all* that was owed on a given account was paid.

20. Paid Carey & Co. cash, to apply on account, $125.

Exercise 5. Business Transactions

For Written Work

Work out in the same form as in Exercise 3 the following representative transactions from the business of a merchant, John R. Howe:

SUGGESTION. As a review this exercise may be used orally.

April 1. Bought of John E. Smith, for cash, 200 yd. Brussels carpet at $1.50.

2. Bought of Thomas A. Elton, for cash, 150 yd. ingrain carpet at 80¢.

3. Sold James Warren, on account, 50 yd. Brussels carpet at $2.

4. Sold Hale & Co., for cash, 60 yd. ingrain carpet at $1.

5. Bought of Ernest M. Little, on account, 100 yd. velvet carpet at $1.40.

6. Paid Seth E. Drake cash, for rent of the store for April, $30.

8. Received of James Warren cash, to apply on account, $50.

9. Sold Helen S. Meek, for cash, 20 yd. velvet carpet at $1.75.

10. Paid Ernest M. Little cash, to apply on account, $75.

11. Sold Henry C. Dane, on account, 40 yd. Brussels carpet at $2.

12. Sold Hale & Co., on account, 30 yd. ingrain carpet at $1.

13. Received of James Warren cash, in full of account, $50.

15. Bought of James Hardin, for cash, 4 T. coal for office use at $7.50.

16. Sold James Warren, on account, 50 yd. Brussels carpet at $2.

17. Sold Mary S. Packard, for cash, 25 yd. velvet carpet at $1.80.

18. Paid John E. Brown, a clerk, cash, $15.

The value received was the service of the clerk, and the name of this value is *Salary.*

Debits and Credits. In the preceding exercises all items at the left of the perpendicular line are *debits*, and all items at the right are *credits*; hence *debits* represent values *received*, and *credits* represent values *parted with.*

We come into possession of things because we are able to give something in return for the things we receive and own, and bookkeeping

necessitates the keeping of a record of all that is received and of all that is parted with. In business whatever we own costs us something, and this appears as a *debit record*, whatever we part with produces something, and this appears as a *credit record.*

ILLUSTRATION. A man paid $5 for a hat; the ownership of the hat cost him the $5, and the parting with the $5 made him the owner of the hat.

Journalizing. A systematic classification of debits and credits in business transactions is called *journalizing.*

By custom, the *left-hand* side is the *debit* side, and the *right-hand* side the *credit* side.

Exercise 6. Debits and Credits

For Oral Work

As an oral exercise, go over all the transactions in Exercises 4 and 5 and classify the values received and parted with as debits and credits.

Promissory Notes. In the preceding exercises it has been shown that men often buy and sell goods by giving or receiving an oral or an implied promise to pay. This is indicated by writing in the record the name of the person by whom or from whom the promise was given or received, this name indicates the value given or received.

When the promise is made in writing, it is called a *promissory note.*

$1200.65 Boston, Mass., Jan. 16, 19—

Thirty days after date I promise to pay to the order of Morgan, Taylor & Co.

Twelve hundred 65/100 Dollars

at Winthrop National Bank

Value received

No. 12 Due Feb. 15, 19— Henry W. Sherman

A PROMISSORY NOTE

In this note Henry W. Sherman promises to pay Morgan, Taylor & Co. the sum of $1200.65. This note was made on Jan. 16, 19—, and payment will be made 30 da. after that date

Your written promise to pay another person a sum of money is called *notes payable*; the written promise of another to pay you is called *notes receivable.*

The promissory note in the illustration would be classified as *notes payable* by Henry W. Sherman, and as *notes receivable* by Morgan, Taylor & Co.

When a note made by another person comes into your possession, the name of the value received is *notes receivable*; when you give your note to another person, the name of the value given by you is *notes payable.*

The following transactions and the records for each should be studied carefully:

Receive of A. T. Parker his note at 10 da., on account; record as follows:

Notes Receivable	|	A. T. Parker

Give your note at 30 da. to James L. Monroe, on account; record as follows:

James L. Monroe	|	Notes Payable

When you receive payment from A. T. Parker, make this record:

Cash	|	Notes Receivable

When you pay your note in favor of James L. Monroe, make this record:

Notes Payable	|	Cash

When the settlement is made for a note, the money is received from or given to a person or a firm. In the following exercise, do not use the name of the person or the firm in making the record.

When money is received for a note in full, the record shows *Cash* as the value received, and *Notes Receivable* as the value parted with, and the note is returned to the person who signed it, marked *Paid.* The business has received cash and parted with a note.

When one pays a note, the value parted with is *Cash*, and the value received is *Notes Payable*; the note is then returned, marked *Paid.*

Exercise 7. Promissory Notes

For Oral Work

Name the debit and the credit in each of the following transactions:

1. Give W. B. Mercer your note at 10 da., to apply on account, $200.
2. Receive of A. B. Slater his note at 30 da., to apply on account, $300.
3. Give Lowe & Co. your note at 15 da., to apply on account, $400.
4. Receive of H. M. Lawton his note at 10 da., to apply on account, $500.
5. Receive of A. B. Slater cash, for his note, $300.
6. Pay Lowe & Co. cash, for your note, $400.

7. Give A. L. Bronson your note at 20 da., in full of account, $150.
8. Pay W. B. Mercer cash, for your note, $200.
9. Receive of David I. Ware his note at 15 da., to apply on account, $250.
10. Pay A. L. Bronson cash, for your note, $150.
11. Receive of David I. Ware cash, for his note, $250.

Exercise 8. Business Transactions

For Written Work

Classify as debits and credits the following representative transactions from the business of a merchant, Daniel V. Case:

June 1. Bought of John L. Quaker, for cash, 100 bbl. apples at $3.
2. Bought of E. E. Weller, on account, 175 bu. potatoes at 80¢.
3. Sold L. A. Kane, at 5 da., 25 bbl. apples at $4.

At 5 da. means *on account,* to be settled within 5 da.

4. Sold Johnson & Co., at 10 da., 40 bu. potatoes at $1.
5. Gave E. E. Weller a note at 5 da. for $100, to apply on account.
6. Sold E. E. Wiser, for cash, 20 bbl. apples at $4.
8. Received of L. A. Kane his note at 10 da. for $80, to apply on account.
9. Sold James D. Kerns, on account, 80 bu. potatoes at $1.
10. Paid E. E. Weller cash, for a note due to-day, $100.
11. Received of James D. Kerns his note at 30 da. for $50, to apply on account.
12. Received of Johnson & Co. their note at 20 da. for the amount of the invoice of *June 4.*
13. Received of L. A. Kane cash, in full of account.

Refer to *June 3* and *8.*

15. Sold Hill & Co., on account, 10 bbl. apples at $4.
18. Received of L. A. Kane cash, for his note due to-day, $80.

SUGGESTIONS FOR RULING

Good mechanical work is essential in bookkeeping. If good results are to be secured, the pen, the ruler, and the blotter must be used in the right way.

When red ink is procurable, use it in ruling; always have a blotter at hand; use a medium pen, not too fine; dip the pen in the ink lightly; avoid getting ink on the ruler.

Use ordinary writing paper, ruled; sit facing the desk squarely; place the paper directly in front of you.

Place the beveled edge of the ruler just below the first ruled line on the page; keeping the pen on the ruled line with the point away from the ruler, draw a line across the page as follows:

Do not lift the pen until the line is finished. Continue this ruling until you have ruled a red line on every blue line of the page.

Now rule lines *between* the ruled lines of the page just finished.

Use a second sheet of paper for ruling *double* lines. Draw a single red line on the blue line; without moving the ruler draw a second red line just underneath the first. You now have parallel lines across the page.

Parallel lines: ═══════

In ruling parallel lines the position of the ruler is not changed, but the hand is pressed slightly forward.

Repeat the parallel ruling until both sides of the sheet have been ruled, then rule parallel lines *between* the lines already ruled.

This work in ruling should be repeated from day to day until good results are secured.

THE SCRIPT FORMS AND MODELS

In connection with the student's preliminary work he is directed to write some of the script forms given on later pages. These forms represent the highest excellence in penmanship and may serve as models in writing for the student. The plan, statement, and arrangement of these models may be a guide to the student in all his work throughout the book. The method of placing matter on the page and the completeness of explanations are parts of high-grade bookkeeping.

While writing these models the student is learning how to place business transactions on the written page in the most approved manner. Business records are not only valuable when made, but may be of especial importance years hence; therefore it is necessary that the statements be clear not only to the writer but to any person who may have occasion to examine them at any future time. If books are introduced into court as evidence, the explanatory part of the records is often the most important. It is the experience of attorneys that very few books of record that are brought into court have any value as evidence, because of the incompleteness of the explanatory matter. If explanations are not made clearly, a correct entry is of little value as conclusive evidence.

Erasures are not to be tolerated, as they not only spoil the neatness of the page but often make entries look suspicious.

In the work of the modern bookkeeper the accuracy of the facts stated as well as the form in which these facts are set forth are of increasing importance. The purpose which the statements are to serve should always be kept in mind, and the facts should be so arranged as to give the reader the maximum amount of information with a minimum amount of effort upon his part. Courts of law not infrequently reject reports submitted to them because of the lack in clearness of statement. Various departments of municipal, state, and federal governments often require that certain reports and statements follow prescribed forms, and no others will be accepted.

From these facts the student should realize the importance of both accuracy and proper form in preparing reports and statements. The script and other forms in this text present to the student a special opportunity for learning the standard forms of statements generally used in modern business.

SET A. GENERAL MERCHANDISE

Model Set

Introductory Study. On pages 12, 13, 16, 17, 22, 32, 40, and 41 is a *model set*, in script, complete in every detail. This set was written from the Memoranda of Transactions on page 11.

The following principles apply to entries in the model journal:

A person who owes a debt is called a *debtor*; a person to whom a debt is owed, a *creditor*.

A *debit* is an amount due the business, or the amount of a thing or a service received; a *credit* is an amount owed by the business, or the amount of a thing or a service given.

In the preceding exercises the transactions have been those of an individual, but in the sets transactions are considered in relation to a business.

The money or property with which a man begins business, or which he puts into the business, is termed an *investment*.

In these practice sets cash investments will be used.

In Set A the proprietor, David Lane, makes a cash investment of $1800.

The paragraph in script at the beginning of the journal is the *memorandum*, setting forth the conditions under which the business was begun.

Journalizing. Study each transaction of the following memoranda in connection with the entry for it in the model journal. Note both the debit and the credit, also the explanatory portion, and the name given to each column in the model journal.

MEMORANDA OF TRANSACTIONS[1]

Jan. 1. David Lane began business, investing cash, $1800.

2. Paid A. L. Benson cash, for rent of the store for January, $40.

3. Bought of C. B. Mason for cash:

150 bbl. Flour at $5.20

4. Sold John C. Eno for cash:

40 bbl. Flour at $6.50

5. Bought of H. M. Field on account:

400 bu. Corn at 60¢

6. Sold R. N. Downs on account:

10 bbl. Flour at $6.50 100 bu. Corn at 75¢

8. Gave H. M. Field a note at 5 da., to apply on account, $150.

9. Received of R. N. Downs his note at 15 da., to apply on account, $100.

10. Sold L. Marsh for cash:

20 bbl. Flour at $6.50 120 bu. Corn at 75¢

11. Bought of Ira M. Banks on account:

25 bbl. Flour at $5.20

13. Paid H. M. Field cash, for a note due to-day, $150.

15. The Proprietor takes from the business $50 in cash, to apply on his monthly salary.

Inventory, January 31, 19—

Merchandise:

105 bbl. Flour at $5.20	$546	
180 bu. Corn at 60¢	108	$654

NOTE. The Inventory is placed immediately after the Memoranda of Transactions, just for convenience. The use of the inventory is discussed on page 28.

The fundamentals of bookkeeping are recognized by all bookkeepers, but the forms of record vary. One of the simplest forms of recording business transactions is to write the dates, the debit and the credit titles, a complete history of the transactions, and the money values of the same in a book called the *journal*, including the explanations, and to collect and classify these entries in a book of accounts called the *ledger*.

This method is set forth in the introductory work.

[1] These transactions are journalized in script on pages 12 and 13.

January 1, 19—

Date	F.[1]	Debits, Credits, and Explanations	Debit Amounts	Credit Amounts
		S. David Lane began business investing cash $1800		
Jan. 1	16	Cash	1800 —	
	17	David Lane		1800 —
2	17	Rent Paid	40 —	
	16	Cash		40 —
		Rent of store for Jan.		
3	17	Mdse. Purchases	780 —	
	16	Cash		780 —
		Invoice of C. B. Mason #1		
4	16	Cash	260 —	
	17	Mdse. Sales		260 —
		Sold J. C. Eno		
		40 bbl. Flour 6.50		
5	17	Mdse. Purchases	240 —	
	16	N. M. Field		240 —
		Invoice on account #2		
6	16	R. N. Downs	140 —	
	17	Mdse. Sales		140 —
		Sold on account		
		10 bbl. Flour 6.50 65—		
		100 bu. Corn .75 75—		
8	16	N. M. Field	150 —	
	16	Notes Pay.		150 —
		Note at 5 da. on account		
9	16	Notes Rec.	100 —	
	16	R. N. Downs		100 —
		Note at 15 da. on account		
10	16	Cash	220 —	
	17	Mdse. Sales		220 —
		Sold L. Marsh		
		20 bbl. Flour 6.50 130—		
		120 bu. Corn .75 90—		

MODEL JOURNAL

[1] The word *folio* is abbreviated as *F.*, and means *page*.

January 11, 19—

Date		F.	Debits, Credits, and Explanations	Debit Amounts	Credit Amounts
Jan.	11	17	Mdse. Purchases	130 —	
		17	Ira M. Banks		130 —
			Invoice on account #3		
	13	16	Notes Pay.	150 —	
		16	Cash		150 —
			In favor of H. M. Field		
	15	17	Salary	50 —	
		16	Cash		50 —
			To apply on monthly		
			salary of Proprietor		

MODEL JOURNAL (CONTINUED)

Analysis of the Model Journal. The following is an analysis of each entry in the model journal. Similar analyses should be used frequently in connection with journalizing, in order to familiarize the student with the principles which govern his work in bookkeeping.

Entry 1. Cash is debited because value was received by the business under the title *Cash*.
David Lane is credited because he invested value in the business.

Entry 2. Rent Paid is debited because value was received by the business in the use of the store.
Cash is credited because value was parted with by the business under the title *Cash*.

Entry 3. Merchandise Purchases is debited because value was received by the business under the title given.
Cash is credited because value was parted with by the business under the title *Cash*.

Entry 4. Cash is debited because value was received by the business under the title *Cash*.
Merchandise Sales is credited because value was parted with by the business under the title given.

Entry 5. Merchandise Purchases is debited because value was received by the business under the title given.
H. M. Field is credited because he parted with value; the business became indebted to him: an oral promise was given for the merchandise bought.

Entry 6. R. N. Downs is debited because he received value; he became indebted to the business: an oral promise was received for the merchandise sold.

Merchandise Sales is credited because value was parted with by the business under the title given.

Entry 7. H. M. Field is debited because he received value from the business: a written promise is received by him to replace the oral promise.

Notes Payable is credited because value was given: the business issued a written promise to pay a certain sum of money.

Entry 8. Notes Receivable is debited because the business received value: a written promise for the payment of a certain sum of money.

R. N. Downs is credited because he has parted with value to the business: he gave his written promise to replace his oral promise.

Entry 9. Cash is debited because value was received by the business under the title *Cash*.

Merchandise Sales is credited because value was parted with by the business under the title given.

Entry 10. Merchandise Purchases is debited because value was received by the business under the title given.

Ira M. Banks is credited because he parted with value; the business became indebted to him: an oral promise was given for the merchandise bought.

Entry 11. Notes Payable is debited because the business gave value to redeem its written promise.

Cash is credited because value was parted with by the business under the title *Cash*.

Entry 12. Salary is debited because value was received by the business in the form of service.

Cash is credited because value was parted with by the business under the title *Cash*.

Summary of Principles. In the study of the preceding analysis it has been seen that we *debit* and *credit* as follows:

Debit	Credit
1. Merchandise and other property which is bought	2. Merchandise and other property which is sold
3. That which costs value	4. That which produces value
5. All moneys received	6. All moneys paid out
7. Persons when they become indebted to the business	8. Persons when the business becomes indebted to them
9. Persons when the business gets out of their debt	10. Persons when they get out of debt to the business
11. Other persons' notes received by the business	12. Notes given or issued by the business
13. Notes redeemed or paid by the business	14. Other persons' notes when paid by them to the business

The foregoing principles may be summarized as *a general principle for journalizing*, as follows:

Debit, under appropriate names, values that are received by the business.
Credit, under appropriate names, values that are given by the business.

Omission of Cents. In the money columns at the right, when writing an even number of dollars, put a dash in the cents column. This shows that an omission has not occurred, and prevents the use of unauthorized figures. Another practice is to place two ciphers in the cents column rather than the dash.

Exercise 9. Journalizing

For Written Work

Write the journal entries for Set A on a half sheet of journal paper. If journal paper is not available, rule a sheet of ordinary writing paper for a journal.

If necessary, refer to the script form on pages 12 and 13.
In writing this journal, omit the figures in the page column.

Keep this work for a subsequent exercise.

Posting. An *account* is a collection of related debits and credits under one heading.

An account may contain but one debit or one credit.

The *ledger* is a book which contains the accounts of the business.

Posting is the process of transferring debit and credit items to their respective accounts in the ledger.

At present all posting is from the journal.

Each different name that appears in the model journal requires an account or a heading of the same name in the ledger; therefore there are *twelve* accounts in the model ledger.

To *open an account*, write in the ledger, as a heading, the name to which items are to be posted.

Note that in the model journal the debits and the credits of cash are distributed over the entire page. Then note that in the model ledger the debits and the credits of cash appear under the heading of *Cash* on one section of the page. Posting brings about this classification of debits and credits under appropriate headings.

The model ledger on pages 16 and 17 shows the accounts posted from the model journal.

The left and the right side of the ledger have the same rulings; the left is the *debit* side, and the right is the *credit* side.

Cash

Mo.	Da.	Explanation	F.	$	¢	Mo.	Da.	Explanation	F.	$	¢
19– Jan.	1		12	1800	—	19– Jan.	2		12	40	—
	4		12	260	—		3		12	780	—
	10		12	220	—		13		13	150	—
							15		13	50	—

Notes Receivable

19– Jan.	9		12	100	—						

R. N. Downs

19– Jan.	6		12	140	—	19– Jan.	9		12	100	—

Merchandise Inventory

Notes Payable

19– Jan.	13		13	150	—	19– Jan.	8		12	150	—

W. M. Field

19– Jan.	8		12	150	—	19– Jan.	5		12	240	—

Ira M. Banks

Mo.	Da.	Explanation	F.	$	¢	Mo.	Da.	Explanation	F.	$	¢
						19– Jan.	11		13	130	—

David Lane, Prop.

						19– Jan.	1		12	1800	—

Merchandise Sales

						19– Jan.	4		12	260	—
							6		12	140	—
							10		12	220	—
										620	

Merchandise Purchases

19– Jan.	3		12	780	—						
	5		12	240	—						
	11		13	130	—						

Rent Paid

19– Jan.	2		12	40	—						

Salary

19– Jan.	15		13	50	—						

Analysis of the Model Ledger. The posting of the model journal has been completed. The following is a full explanation of each account in the model ledger.

Each account in which there is more than one amount, either in the debit or in the credit column, should be footed; minute figures should be used to show these footings, and they should always be written in pencil. These pencil footings should be left in the account.

Cash Account:

The debit shows that the business received $2280.

The credit shows that the business paid out $1020.

This account is debited for all cash received, and credited for all cash paid out.

The purpose of this account is to record and show the receipts and the payments in cash, and the amount of cash on hand at a certain time.

The balance, that is, the debit (or total amount of cash received) minus the credit (or total amount of cash paid out), should be the balance on hand. Money kept in a bank as a deposit is counted as cash on hand.

Notes Receivable Account:

The debit shows that the business received notes made by others to the amount of $100.

The absence of any credit amount shows that none of these notes receivable has been paid.

This account is debited for all notes receivable received by the business and is credited for all notes receivable that are paid.

If this account does not balance, the debit is the larger because the payments cannot amount to more than the notes receivable which have been received by the business.

Any balance in this account shows the amount due the business on notes receivable.

R. N. Downs's Account:

The debit shows that he has received values from the business to the amount of $140.

The credit shows that he has paid the business $100 to apply on his account.

This is a personal account.

Personal accounts are accounts with individuals, firms, or corporations. The debits of these accounts show the values received from the business; the credits show the values parted with to the business.

All personal accounts in a ledger in which the debit side is the larger show that the individual, the firm, or the corporation owes the business a certain amount.

How much does R. N. Downs owe the business?

Merchandise Inventory Account:

At the close of the month this account will record, in this set, the value of the unsold merchandise as a debit amount.

Notes Payable Account:

The credit shows that the business issued notes payable to others to the amount of $150.

The debit shows that the notes issued were redeemed, or paid in full, by the business.

This account is credited for all notes payable issued by the business.

It is debited for all notes payable that are redeemed, or paid, by the business.

If this account does not balance, the credit side is the larger because the amount of notes redeemed, or paid, cannot be greater than the amount of such notes issued.

Any balance in this account shows the amount owed by the business on notes payable.

H. M. Field's Account:

The credit shows that he has disposed of values to the business to the amount of $240.

The debit shows that the business has paid him $150 to apply on its account with him.

All personal accounts in a ledger in which the credit side is the larger show that the business owes the individual, the firm, or the corporation a certain amount.

How much does the business owe H. M. Field ?

Ira M. Banks's Account:

The credit shows that he has disposed of values to the business to the amount of $130.

The absence of any debit amount shows that the business has not paid him anything to apply on its account with him.

David Lane's Account:

This is the *Proprietor's* account. The credit shows that he invested $1800 in the business.

This account sets forth the money value of the Proprietor's interest in the business. This value is called the *proprietary interest.* Other items which may appear in this account will be considered later.

Merchandise Sales Account:

The credit shows that the business has sold merchandise to the amount of $620. Other items which may appear in this account will be considered later.

Merchandise includes all goods that are bought to be sold. This account records the money value of the goods sold.

Merchandise Purchases Account:

The debit shows that the business bought merchandise to the amount of $1150. Other items which may appear in this account will be considered later.

This account records the money value of all goods bought.

Rent Paid Account:

The debit shows that the business received value (the use of the store), which cost $40.

The debit side only of this account is used, except for making some credit correction, or in closing.

This account represents an expense item; that is, a cost of carrying on the business.

Salary Account:

The debit shows that the business received value (personal service), which cost $50.

This also is an account in which only the debit side is used, except for making a credit correction, or in closing.

It represents another expense item.

Similar analyses of ledger accounts should be used frequently.

The ledger is the book of accounts in the business and is referred to frequently for information that is wanted immediately; hence one should be able to understand and interpret an ordinary account at a glance. For this reason strong emphasis has been placed on the analysis of ledger accounts in the very earliest stages of the student's work in bookkeeping.

Exercise 10. Posting the Model Journal

For Study

Examine the posting from the model journal to the model ledger, in the text. The model journal is on pages 12 and 13, and the model ledger on pages 16 and 17.

By referring to these script pages the student has the opportunity to study posting in just the form in which it will appear in his own work.

In the model journal in each entry the name that is debited appears first, and the name that is credited appears second. The *first* money column records the amount of the debit, and the *second* money column records the amount of the credit. All items in the first money column will be posted to the left (*debit*) side of the ledger; all items in the second money column will be posted to the right (*credit*) side of the ledger.

Trace the posting of each *debit* item in the model journal to the model ledger.

The first item in the model journal is Cash. Turn to the *Cash* account in the ledger, debit side, and note the *amount*, the *page* of the journal from which the item was posted, and the *date*. Above the date the year is written. The page of the ledger is written at the left of Cash in the journal, in the column at the head of which is *F.*, which means *folio* or *page*. The writing of these page numbers in both the ledger and the journal *checks* the posting; that is, it shows that the posting has been completed.

Failure to record the paging in posting leads to errors in bookkeeping, to a waste of time in locating the errors, and does not allow ready reference to be made from one book to the other.

The next debit item is Rent Paid. Turn to the *Rent Paid* account in the ledger and trace the amount, the page, and the date. Note that the ledger page is written at the left of Rent Paid in the journal.

Trace the posting of each *credit* item in the model journal to the model ledger.

The first credit item in the journal is David Lane. Turn to his account in the ledger, credit side, and note the amount, the page, and the date. Above the date the year is written. The page of the ledger is written at the left of David Lane's name in the journal.

The next credit item is Cash. Turn to the *Cash* account in the ledger, credit side, and note the amount, the page, and the date. Remember to write the page of the ledger at the left of Cash in the journal.

Exercise 11. Analysis of Entries

For Oral Work

Give the correct analysis of the following, stating the debit and the credit in each transaction:

1. Louis D. Warner invested cash, $1000.
2. Bought of Jerome L. Bain, for cash, 20 bbl. apples for $55.
3. Paid F. A. Rice cash, for rent of the store for 1 mo., $30.
4. Received of Jones & Co. cash, to apply on account, $100.
5. Paid Smith & Son cash, to apply on account, $75.
6. Gave John A. Walton a note for $200, to apply on account.
7. Received of Wm. C. Danner his note for $140, to apply on account.
8. Paid John A. Walton cash, for a note, $200.
9. Received of Wm. C. Danner cash, for his note, $140.
10. Paid John Williams, a clerk, his salary in cash, $35.

Trial Balance. The following script form is a trial balance of the preceding model ledger:

Trial Balance, Jan. 31, 19—

F.	Name of Account	Debit	Credit
16	Cash	2280 —	1020 —
16	Notes Receivable	100 —	
16	R. N. Downs	140 —	100 —
16	H. M. Field	150 —	240 —
17	Ira M. Banks		130 —
17	David Lane, Prop.		1800 —
17	Mdse. Sales		620 —
17	Mdse. Purchases	1150 —	
17	Rent Paid	40 —	
17	Salary	50 —	
		3910 —	3910 —

MODEL TRIAL BALANCE

The trial balance is a list of the names and the totals of each open ledger account; it shows that the total debits equal the total credits.

In the script trial balance the face of each account has been used; that is, the total debits and the total credits have been transferred to the trial balance. *Notes Payable* is omitted because the account balances.

In each journal entry the debit amount equals the credit amount; hence when all these debits and credits are collected and classified in the ledger, it must necessarily be true that the ledger should be in balance; the trial balance is a test to show that the equality of the debits and the credits has been maintained in the ledger as well as in the journal.

This trial balance uses only the *balance* of each ledger account:

Trial Balance, Jan. 31, 19—

F.	Name of Account	Debit	Credit
16	Cash	1260 —	
16	Notes Receivable	100 —	
16	R. N. Downs	40 —	
16	H. M. Field		90 —
17	Ira M. Banks		130 —
17	David Lane, Prop.		1800 —
17	Mdse. Sales		620 —
17	Mdse. Purchases	1150 —	
17	Rent Paid	40 —	
17	Salary	50 —	
		2640 —	2640 —

Exercise 12. Posting

For Written Work

Each student has the journal of Set A recorded on a sheet of journal paper.

Post this exercise, using a half sheet of ledger paper. Allow ten lines for each account. Write the accounts in the same order as in the model ledger. Post the journal a second time.

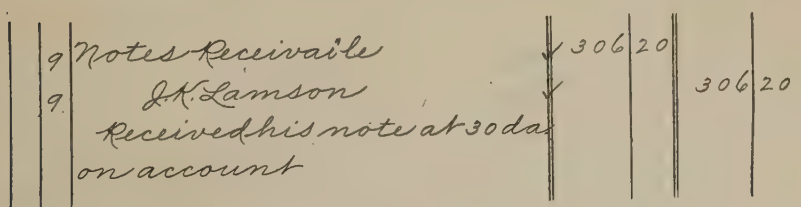
In posting, write the name of the month and the year at the head of each account only once, and do not use ditto marks.

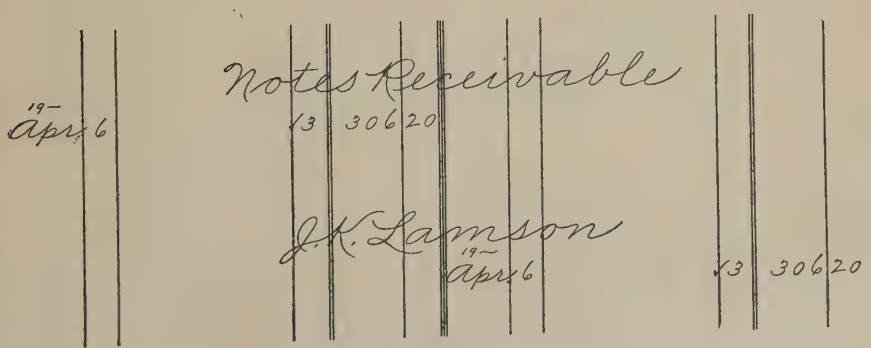
Post *all* the debit items first, and then *all* the credit items.

After all the journal items have been transferred to the ledger, the posting may be *rechecked*. This checking is usually done to locate an error.

Determine whether the first debit item in the journal has been posted correctly to the ledger. If it has, place a small check (✓) in pencil at the left of the first money column in the journal, and at the left of the folio column in the ledger. Use a pencil for checking, and make very *small* check marks. These marks should not be erased.

The following script illustrations will show how this checking should be done:





Take trial balances of the ledgers just posted.

Keep this work for a subsequent exercise.

Exercise 13. Journalizing

For Written Work

Journalize Exercise 2, page 2, in the same form as in the model journal.

The names and the amounts are different from those in the model.

Under Feb. 1, the proprietor, John A. Weeks, makes a cash investment of $1050. (This is an additional item.)

Make the memorandum and the entry for this investment, and then journalize the other business transactions.

When goods are bought, an invoice is received by the buyer and placed on file; for this reason the items of the invoice need not be recorded in the journal.

When goods are sold, an invoice is sent by the seller, and a copy of it is not always kept on file; for this reason the items of the invoice should be recorded in the journal.

These explanations in the journal are of great value in the courts of law.

Use half sheets of journal paper and ledger paper. In the ledger allow ten lines for each account.

Recheck the posting.

Take a trial balance.

Pass all work to the instructor.

Exercise 14. Journalizing

For Written Work

Journalize Exercise 4, page 3.

Under March 1, the proprietor, Richard S. Rowe, makes a cash investment of $1250. (This is an additional item.)

Post to the ledger and then recheck the posting.

Take a trial balance.

Pass all work to the instructor.

Exercise 15. Journalizing

For Written Work

Journalize Exercise 5, page 5.

Under April 1, the proprietor, John R. Howe, makes a cash investment of $1150. (This is an additional item.)

Post to the ledger and then recheck the posting.

Take a trial balance.

Pass all work to the instructor.

Exercise 16. Journalizing

For Written Work

Journalize Exercise 8, page 8.

Under June 1, the proprietor, Daniel V. Case, makes a cash investment of $1350. (This is an additional item.)

Post to the ledger and then recheck the posting.

Take a trial balance.

Pass all work to the instructor.

SET B. FURNITURE

Opening the Set. Journalize the transactions in the following memoranda in the same form as in the model journal, on a half sheet of journal paper.

SUGGESTION. As a class exercise, each transaction may be journalized orally. Give the reason for each debit and each credit named.

MEMORANDA OF TRANSACTIONS

Feb. 1. Howard A. Marble began the Furniture business and invested cash, $1600.

2. Bought of Lewis & Taylor for cash:

15 Oak Dining Tables at $12.50 10 Library Tables at $22.75

3. Paid H. A. Harper cash, for rent of the store for February, $40.

3. Sold Wm. S. Warren for cash:

3 Oak Dining Tables at $17.75 2 Library Tables at $31.25

6. Bought of Reese & Co., for cash, office books and supplies amounting to $13.50.

Debit *Office Supplies*; this will be the name of an account in your ledger.

8. Sold Ellis & Johnson on account:

4 Oak Dining Tables at $17.75 3 Library Tables at $32

10. Bought of John D. Rice on account:

10 Oak Dining Tables at $14.25 12 Library Tables at $15.35

13. The Proprietor takes from the business cash, to apply on his monthly salary, $50.

16. Received of Ellis & Johnson cash, to apply on account, $83.50.

18. Paid John D. Rice cash, to apply on account, $200.

20. Received of Ellis & Johnson their note at 15 da. for $83.50, to apply on account.

Feb. 23. Sold A. R. Kelsey on account:

5 Oak Dining Tables at $20.50 — 5 Library Tables at $21.75

26. Received of A. R. Kelsey cash, to apply on account, $125.

27. Paid Henry Mason, a clerk, cash, for his salary, $30.

27. The Proprietor takes from the business cash, for the balance of his monthly salary, $25.

Inventories, February 27, 19—

Merchandise:

8 Oak Dining Tables at $12.50	$100.	
5 Oak Dining Tables at $14.25	71.25	
5 Library Tables at $22.75	113.75	
7 Library Tables at $15.35	107.45	$392.45

Office Supplies:

Books and Supplies	$6.

NOTE. The use of the inventory is explained on page 28.

Closing the Set. Post to the ledger; allow eight lines for each account.

Take a trial balance.

Keep all this work for a subsequent exercise.

SET C. GRAIN AND SEED

Opening the Set. Journalize the transactions in this set in the same form as in the model journal, on a half sheet of journal paper.

SUGGESTION. As a class exercise, each transaction may be journalized orally. Give the reason for each debit and each credit named.

MEMORANDA OF TRANSACTIONS

March 1. Student begins the Grain and Seed business and invests cash, $1500.

2. Pay Harold Brown cash, for rent of the store for March, $40.

3. Buy of H. H. Morley for cash:

400 bu. Corn at 60¢ — 350 bu. Oats at 48¢

4. Sell Smith Bros. for cash:

200 bu. Corn at 75¢ — 100 bu. Oats at 60¢

6. Buy of Grace & Co., for cash, office books and stationery amounting to $14.50.

The name of the account to be debited is *Office Supplies.*

March 8. Buy of Wm. A. Cannon on account:

250 bu. Wheat at $1 15 bu. Clover Seed at $6

10. Sell James A. Butler on account:

150 bu. Corn at 75¢ 200 bu. Oats at 60¢

13. Pay Wm. A. Cannon cash, to apply on account, $200.

15. Buy of the Larkin Coal Co., for cash, 2 T. coal, for office use, at $5.50.

17. Receive of James A. Butler his note at 10 da., to apply on account, $100.

What name is given to his note?

20. Sell A. R. Burton for cash:

8 bu. Clover Seed at $8

22. Give Wm. A. Cannon your note at 30 da., to apply on account, $100.

What name is given to your note?

23. Sell Henry A. Barker on account:

120 bu. Wheat at $1.25

24. Receive of James A. Butler cash, to balance his account, $132.50.

25. The Proprietor takes from the business cash, for his salary, $50.

26. Receive of Henry A. Barker cash, to apply on account, $100.

27. Receive of James A. Butler cash, for his note due to-day, $100.

What is the debit in this transaction? the credit?

29. Buy of Johnson & Co. for cash:

100 bu. Corn at 60¢ 100 bu. Oats at 48¢

30. Sell Harding & Co. for cash:

50 bu. Corn at 75¢ 50 bu. Oats at 60¢

31. Pay James A. Norton, a clerk, cash, for his salary, $22.50.

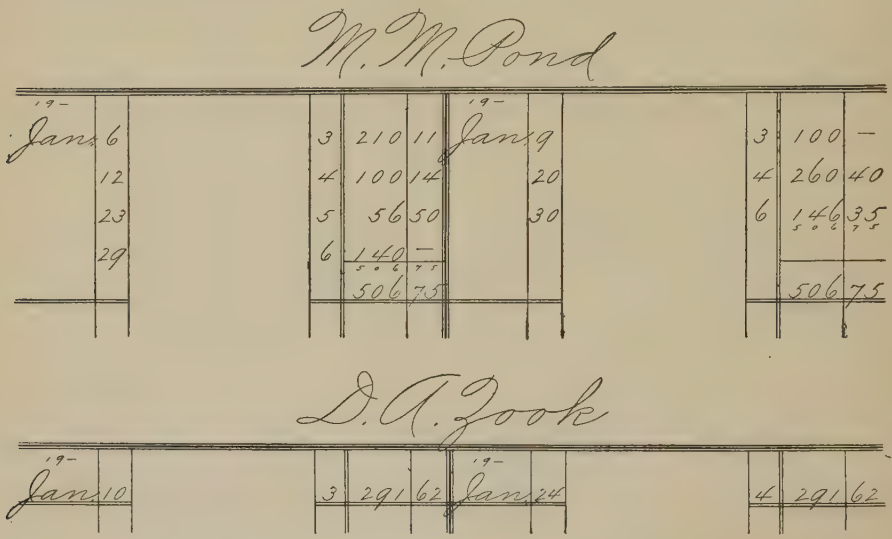
Inventories, March 31, 19—

Merchandise:		
100 bu. Corn at 60¢	$60.	
100 bu. Oats at 48¢	48.	
130 bu. Wheat at $1	130.	
7 bu. Clover Seed at $6	42.	$280.
Office Supplies:		10.
Fuel, 1 T. coal		5.50

NOTE. The use of the inventory is explained on page 28.

Closing the Set. Post to the ledger; allow fifteen lines for the *Cash* account and ten lines for all other accounts.

Before taking a trial balance rule the accounts in the ledger that balance. The script illustrations below show how to rule them. Rule the accounts of *James A. Butler* and *Notes Receivable.*



Take a trial balance.

Keep all this work for a subsequent exercise.

INVENTORIES, AND THE DETERMINATION OF PROFIT AND LOSS

Inventories. The student may verify the inventory in Set A, as follows:

How many barrels of flour were bought? How many barrels were sold? How many barrels should be on hand?

How many bushels of corn were bought? How many bushels were sold? How many bushels should be on hand?

An *inventory* is an itemized statement of the quantity and the value of the goods on hand. An inventory is usually taken at *cost* prices.

It is customary to inventory unused office supplies, unused fuel, etc.

Inventories are taken at stated periods, as at the end of a year or at the end of a month.

Unless otherwise instructed, date each inventory under the *last day* of the month in which the set was written.

In business it is a common practice to make out the complete inventory on sheets of paper; these sheets are then bound and filed for subsequent use.

The Determination of Profit and Loss. In working out the following analysis of accounts, refer to the model ledger on page 16 and to the model trial balance on page 22:

In the *Merchandise Purchases* account, what are the total purchases?

In the *Merchandise Sales* account, what are the total sales?

What is the value of the merchandise on hand (the inventory)?

With the above data at hand, if any profit has been realized it can be determined as follows:

The value of the merchandise sold is $620.

The total purchases amount to $1150.

The value of the merchandise on hand is $654.

The total purchases minus the merchandise on hand must equal the cost of the merchandise sold: $1150 − $654 = $496, the cost of the merchandise sold.

The sales minus the cost of the merchandise sold must equal the profit on the merchandise sold: $620 − $496 = $124, the profit on merchandise sold.

To summarize:

Mdse. Sales		$620
Purchases	$1150	
Inventory	654	
Cost of merchandise sold		496
Gross profit on sales		$124

Refer to the *Rent Paid* account. What amount was paid for rent? This is a loss. Why?

Refer to the *Salary* account. What amount was paid for salary? This is a loss. Why?

If the profit on merchandise sold is $124 and the loss on rent and salary is $90, what is the net profit; that is, the excess of the profit over the losses?

Exercise 17. Net Profits

For Written Work

Find the net profit in each of the following; make a statement according to the model on page 32:

1. Merchandise Purchases, $655.20; Merchandise Sales, $503.50; inventory, $254.25. Rent Paid: debit, $50.

2. Merchandise Purchases, $854.40; Merchandise Sales, $497.50; inventory, $470. Salary: debit, $35.

3. Merchandise Purchases, $1192.20; Merchandise Sales, $753.50; goods on hand, $510.40. Rent Paid: debit, $65.

4. Merchandise Purchases, $987.70; Merchandise Sales, $790; inventory, $318.50. Rent Paid: debit, $30. Salary: debit, $20.

5. Merchandise Purchases, $964.10; Merchandise Sales, $702.25; inventory, $458.30. Salary: debit, $25.

6. Merchandise Purchases, $1342.75; Merchandise Sales, $1059; inventory, $520. Rent Paid: debit, $55.

Proprietary Interest. The excess of the *assets* over the *liabilities* is the *capital*, or the *present worth*, or the *proprietary interest*.

Merchandise Inventory. The merchandise on hand (the inventory) is an asset.

For the present, treat all inventories as assets.

The Open Account. In the preceding exercise it is clear that each open account (that is, an account that does not balance) has a positive bearing on the condition of the business; and if these results are properly classified, what has been accomplished by the business, as well as the present state of affairs, may be determined. In business these results are usually set forth at stated periods, either monthly or once or twice a year.

Exercise 18. Analysis of Accounts

For Oral Work

In working out this exercise, refer to the model ledger on page 16 and to the model trial balance on page 22.

Refer to the *Cash* account in the trial balance. What was the total cash received? the total cash paid out? the balance on hand? Is this balance an asset (property on hand) or a liability (amount owed)?

The *Notes Receivable* account shows notes on hand, and also that nothing has been received in settlement of any of the notes. Does this account show an asset or a liability?

In a legal sense notes on hand are a form of property.

What is the condition of *R. N. Downs's* account? Does he owe the business, or does the business owe him? Is the balance an asset or a liability?

If he owes the business, the amount is an asset.

What is the condition of *H. M. Field's* account? Does he owe the business, or does the business owe him? Is the balance an asset or a liability?

If the business owes him, the amount is a liability.

In the account of the *proprietor*, *David Lane*, what is the amount he invested in the business?

If David Lane's investment is \$1800, and the business has gained \$36 above all losses for the period, what is the proprietary interest on Jan. 31?

Profit and Loss Statement. Books are kept for the purpose of recording transactions and affording a basis for the preparation of statements.

The *results* of operations are shown by the profits realized and the losses sustained.

A formal statement of profits and losses is usually called a *profit and loss statement* or an *operating statement.*

When books are properly kept, not only the results are shown but also the sources from which those results were obtained.

ILLUSTRATION. In the script model statement, page 32, the result for the period, or the net profit of \$36, appears; but the source of this profit is in the *Merchandise Sales* account, \$126, while a loss of \$90 is shown, \$40 on Rent Paid and \$50 on Salary.

Balance Sheet or Financial Statement. The *condition* of the business is shown by the assets (or resources), the liabilities, and the proprietary interest.

The formal statement of the *assets*, the *liabilities*, and the *proprietary interest* is usually called a *balance sheet* or a *financial statement.*

When the assets are placed on the left side, offset by the liabilities and the proprietary interest on the right side, the term *balance sheet* is used; but when the assets, the liabilities, and the proprietary interest are arranged in statement form, the term *financial statement* is used. Both forms are illustrated on page 32.

Instructors should state the form they prefer the student to follow.

Net Profit. The *net profit* is the excess of the profits over the losses.

Net Loss. The *net loss* is the excess of the losses over the profits.

Assets. *Assets*, or *resources*, are property of value belonging to the business, or amounts due the business; that is, what the business owns.

Liabilities. *Liabilities* are amounts owed by the business; that is, the debts of the business.

Proprietary Interest. The *present worth*, or *capital*, or *proprietary interest* is the excess of assets over liabilities. It is the net worth of the business at a definite time as shown by the books. The excess of liabilities over assets is *insolvency.*

David Lane
Profit and Loss Statement
For the month of January, 19–

Mdse. Sales		620 —	
Mdse. Purchases	1150		
Mdse. Inventory, Jan. 31	654		
Cost of merchandise sold		496 —	
Gross profit on sales			124 —
Operating Expense			
Rent Paid		40 —	
Salary		50 —	90 —
Net profit for January			34 —

David Lane
Financial Statement
January 31, 19–

Assets			
Cash		1260 —	
Notes Receivable		100 —	
R. N. Downs		40 —	
Mdse. Inventory		654 —	
Total Assets			2054 —
Liabilities			
W. M. Field		90 —	
Ira M. Banks		130 —	
Total Liabilities			220 —
Proprietary Interest			
David Lane's Investment, Jan.		1800	
" " Net Profit		34 —	
" " Proprietary Interest, Jan. 31, 19–			1834 —

Balance Sheet

Assets		Liabilities		
Cash	1260.	W. M. Field		90.
Notes Rec.	100.	Ira M. Banks		130.
R. N. Downs	40.	Proprietary Interest		
Mdse. Inventory	654.	David Lane's Invest.	1800.	
		" " Net Profit	34.	1834.
	2054.			2054.

PROFIT AND LOSS STATEMENT, FINANCIAL STATEMENT, AND BALANCE SHEET

Summary. In all profit and loss accounts:

If the credit, including the inventory if there is one, is larger than the debit, the account shows a profit.

If the debit is larger than the credit, including the inventory if there is one, the account shows a loss.

Profits are realized:

If the assets increase and the liabilities remain unchanged.

If the liabilities decrease and the assets remain unchanged.

If the assets increase and the liabilities decrease.

Losses are sustained:

If the liabilities increase and the assets remain unchanged.

If the assets decrease and the liabilities remain unchanged.

If the liabilities increase and the assets decrease.

In *personal accounts:*

If the debit is the larger, the account shows an asset.

If the credit is the larger, the account shows a liability.

If a personal account is given up as noncollectible, it then shows a loss.

Double-Entry Bookkeeping. The bookkeeping thus far explained is in double-entry form, and the cardinal principle of double-entry bookkeeping is that the total *debits* equal the total *credits.*

Exercise 19. Review

For Oral Work

Name quickly the net profit or the net loss in each of the following:

	1.		2.	
	Profits	Losses	Profits	Losses
(*a*)	$110	$65	$120	$150
(*b*)	98	32	118	67
(*c*)	125	175	186	112
(*d*)	231	72	224	153
(*e*)	148	119	235	310

Name quickly the proprietary interest or the insolvency in each of the following:

	3.		4.	
	Assets	Liabilities	Assets	Liabilities
(*a*)	$1800	$1150	$2100	$1520
(*b*)	1450	1750	1685	350
(*c*)	2250	920	1930	3010
(*d*)	2975	1142	3350	975
(*e*)	5575	2142	4352	1231

Name quickly the profit or the loss in each of the following:

5.

		Purchases	Sales	Inventory
Merchandise:	(*a*)	$1100	$600	$700
	(*b*)	1250	750	350
	(*c*)	1075	725	450

6.

		Debit	Inventory
Fuel:	(*a*)	$155	$90
	(*b*)	210	93
	(*c*)	86	62
	(*d*)	128	79

Name quickly the result in each of the following problems:

7. John Smith has assets amounting to $800, and liabilities amounting to $300. What is he worth?

8. Increase his assets $100; what is he worth?

9. Decrease his assets $100; what is he worth?

10. Increase his liabilities $100; what is he worth?

11. Decrease his liabilities $100; what is he worth?

12. Increase his assets $100, and decrease his liabilities $100; what is he worth?

13. Decrease his assets $100, and increase his liabilities $100; what is he worth?

14. On page 35 there are four trial balances; in each account name quickly those which show an asset and those which show a liability.

Exercise 20. Review

For Written Work

Directions. From the following trial balances statements are to be made; use sheets of journal paper.

Unless otherwise instructed, use the form of statement given on page 32.

Proceed as follows:

1. Copy the trial balance at the head of the journal page.
2. Make the profit and loss statement which shows the net profit.
3. Make the balance sheet or the financial statement which shows the present worth, or the proprietary interest.
4. Date each statement Jan. 31, 19—.
5. When completed, pass all work to the instructor for approval.

1.

Cash	$1655	$650
H. Granger	352	141
F. Howard	368	255
Young & Co.	512	230
Hale & Co.	216	456
Student, Prop.		2000
Mdse. Sales		1873
Mdse. Purchases	2377	
Rent Paid	25	
Salary	100	
	$5605	$5605

Inventory:

Merchandise $752

2.

Cash	$525	
M. Carson	285	
Dunton & Co.	376	
Lacey & Co.	532	
H. Ranger		$365
Student, Prop.		1850
Mdse. Sales		1893
Mdse. Purchases	2215	
Fuel	75	
Salary	100	
	$4108	$4108

Inventory:

Merchandise $564.75

3.

Cash	$874	
Lee & Dane	485	$105
Jackson & Co.	325	84
Macey & Son	654	139
H. S. Arnold	125	637
A. B. Lawton	312	422
Lewis & Co.	100	205
Student, Prop.		2100
Mdse. Sales		1875
Mdse. Purchases	2560	
Office Supplies	32	
Salary	100	
	$5567	$5567

Inventories:

Merchandise	$960 20
Office Supplies[1]	12.

4.

Cash	$835	
Jas. Curry	358	
Louis Derby	298	
Henry Ware	252	
Adams & Co.		$327
H. C. Cain		278
H. Wyman		113
Student, Prop.		1700
Mdse. Sales		1385
Mdse. Purchases	1945	
Fuel	65	
Rent Paid	50	
	$3803	$3803

Inventories:

Merchandise	$751.50
Fuel[1]	33.

Exercise 21. Review

For Written Work

In this exercise, use the trial balances the student has made in Sets A, B, and C. Follow the directions given in Exercise 20.

This work should be done without reference to the text.

After each statement has been approved by the instructor, keep the work for a subsequent exercise.

[1] These inventories are explained on page 36.

Make statements from the trial balances of the following sets:

1. Set A, page 10. 2. Set B, page 25. 3. Set C, page 26.

The inventories will be found in the text at the close of each set.

Additional Inventories. The fuel and office supplies unused at the time the statements are made are *inventories.*

ILLUSTRATION. If 10 T. of coal were bought at the beginning of the month and 4 T. were unconsumed at the end of the month, the 4 T. would constitute the inventory for the *Fuel* account.

When there is an inventory, the loss on the *Fuel* account is found as follows:

Fuel:		
Dr.	$46.25	
Inventory	16.20	
Loss		$30.05

The *loss* is the *difference* between the debit of the account and the inventory.

In making the balance sheet or financial statement, record the fuel inventory as an *asset.*

In making a detailed balance sheet or financial statement, never add together the inventories of different names, but use each as a separate amount.

It is not usual for the *Fuel* account to have any credits; but if the account is closed with fuel on hand, or if some fuel that has been bought is sold, then the account shows a credit.

All that has been said regarding the use of the fuel inventory will apply in every particular to the office supplies inventory.

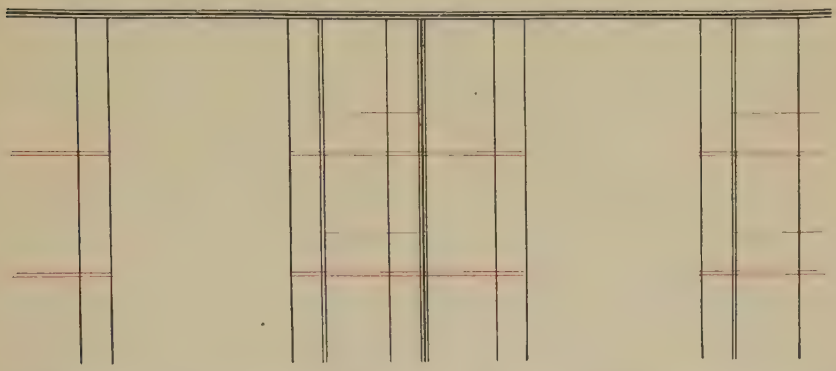
CLOSING THE LEDGER

Preliminary Work. The results and the condition of the business in Sets A, B, and C have been shown by the statements just made. The next step is to show the results of the business in the ledger. To do this it will be necessary to *close the ledger.*

To close the ledger it is necessary to close only such accounts as affect the *results* shown by the business; that is, the accounts that show profit or loss and the *Proprietor's* account.

Preparatory to closing the ledger the student should have some practice in ruling.

The ruling of the following ledger page is the same as the ruling required in closing a ledger account. Practice this ruling until it is done well. Use red ink for this work.



Notice that the single line extends over only the *dollars and cents* columns, while the double lines cover *all* the perpendicular columns, the *explanatory* column excepted.

In business it is customary to show actual results; that is, to make statements only once or twice a year, or monthly. The ledger is closed after such statements have been made.

Closing the Ledger Defined. The results of the business as shown in the statements are now to be incorporated in the books of the business, and this operation is called *closing the ledger.*

There are two general methods of closing the ledger, — the direct method and the journal method. The first is explained and illustrated on page 167, but it is not used in this text.

Journal Method. The following explanations and illustrations set forth the journal method of closing the ledger.

By this method all closing entries are made in the journal and posted to the ledger accounts. Thus the ledger continues to contain a classification of debits and credits recorded in the several transactions in the journal. The closing journal entries should record such data as are necessary to place upon the ledger the facts set forth in the statements. In this illustration these data may be summarized into three divisions: the accounts relating to merchandise transactions, the accounts showing losses, and the transfer of the net profit to the *Proprietor's* account.

The closing of the ledger is one of the most important features of bookkeeping, and its mastery is essential if one is to do good work.

Merchandise Accounts. The *first division* of the closing entries in this exercise deals with the merchandise accounts and the entries necessary

to record the closing inventory, the cost of merchandise sold, and the profit on the merchandise sold. The following merchandise accounts and the closing inventory are used in the illustration:

MERCHANDISE PURCHASES

19—					19—				
Jan.	6		5	1200					
	19		6	1350					
	26		7	850					

MERCHANDISE SALES

19—					19—				
					Jan.	10		6	950
						23		7	750
						29		8	900

On Jan. 31 the merchandise inventory was $1100.

1. The first entry is to record the inventory of Jan. 31 in the journal. The entry is as follows:

Mdse. Inventory	1100	
Mdse. Purchases		1100
To record the merchandise inventory and to credit the *Merchandise Purchases* account for the merchandise remaining unsold on Jan. 31.		

Open an account with *Merchandise Inventory.*

After posting this entry the accounts will appear as follows:

MERCHANDISE INVENTORY

19—					19—				
Jan.	31		9	1100					

MERCHANDISE PURCHASES

19—					19—				
Jan.	6		5	1200	Jan.	31		9	1100
	19		6	1350					
	26		7	850					

2. The difference between the sides of the *Merchandise Purchases* account ($2300) will now show the *cost of the merchandise sold.* Use this amount and make the following entry:

Mdse. Sales	2300	
Mdse. Purchases		2300

To transfer the balance of the *Merchandise Purchases* account, representing the cost of the merchandise sold, to the *Merchandise Sales* account.

After posting this entry the accounts will appear as follows:

MERCHANDISE PURCHASES

19—					19—				
Jan.	6		5	1200	Jan.	31		9	1100
	19		6	1350		31		9	2300
	26		7	850					
				3400					3400

MERCHANDISE SALES

19—					19—				
Jan.	31		9	2300	Jan.	10		6	950
						23		7	750
						29		8	900

3. The difference between the sides of the *Merchandise Sales* account ($300) will now show the profit on the merchandise sold. Use this amount and make the following entry:

Mdse. Sales	300	
Profit and Loss		300

To transfer the balance of the *Merchandise Sales* account, representing the profit on the merchandise sold, to the *Profit and Loss* account.

After posting this entry the accounts will appear as follows:

MERCHANDISE SALES

19—					19—				
Jan.	31		9	2300	Jan.	10		6	950
	31		9	300		23		7	750
						29		8	900
				2600					2600

Cash

Mo.	Da.	Explanation	F.	$	¢	Mo.	Da.	Explanation	F.	$	¢
19– Jan.	1			1800	—	19– Jan.	2			40	—
	4			260	—		3			780	—
	10			220	—		13			150	—
				1280			15			50	—
				1020						1020	
				1260							

Notes Receivable

19– Jan.	9			100	—						

R. N. Downs

19– Jan.	6	40		140	—	19– Jan.	9			100	—

Merchandise Inventory

19– Jan.	31		1	654	—						

Notes Payable

19– Jan.	13			150	—	19– Jan.	8			150	—

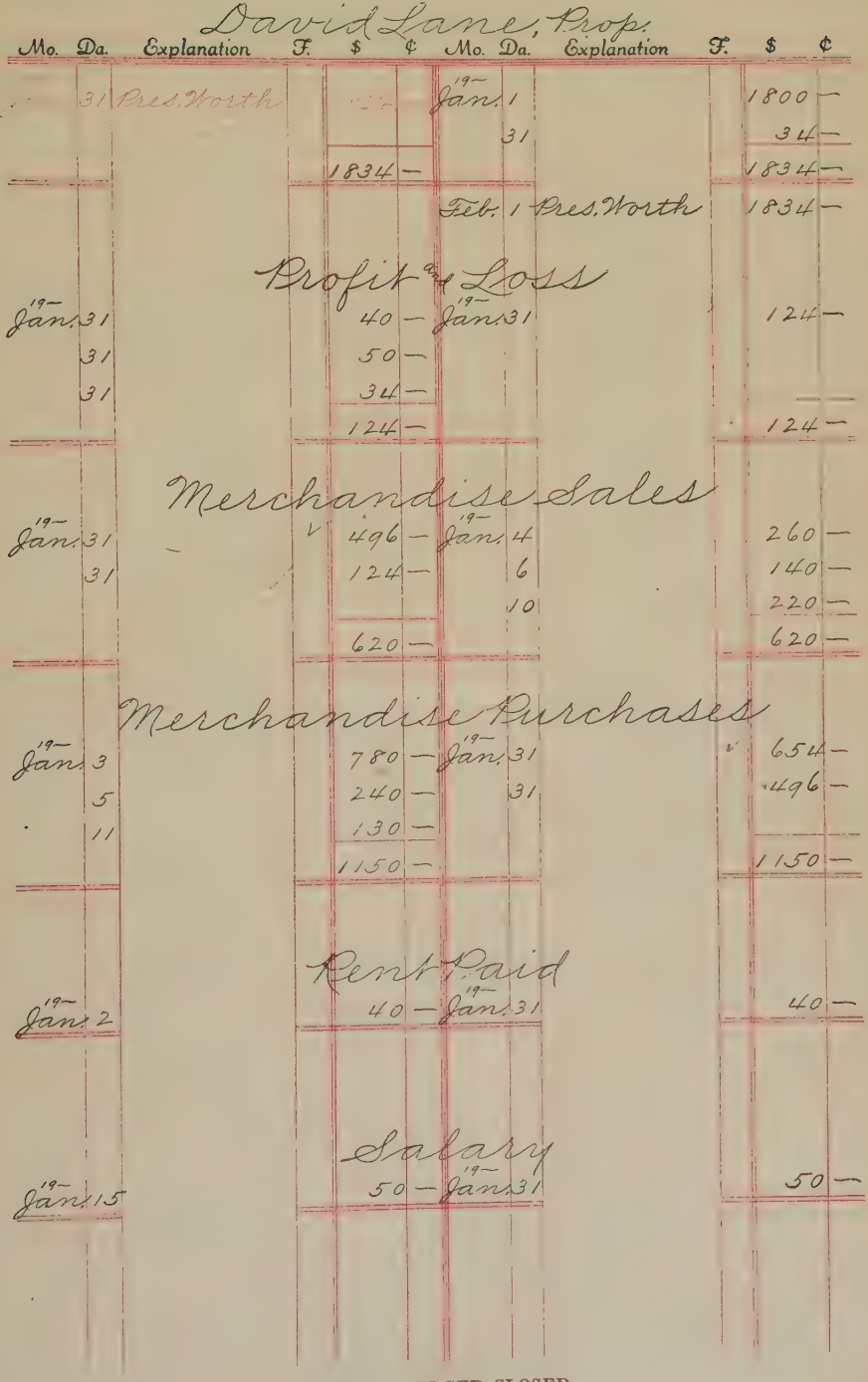
H. M. Field

19– Jan.	8			150	—	19– Jan.	5			240	—

Ira M. Banks

						19– Jan.	11			130	—

MODEL LEDGER CLOSED


David Lane, Prop.
Mo. Da. Explanation F. $ ¢ Mo. Da. Explanation F. $ ¢
31 Pres. Worth 1834 — 19— Jan. 1 1800 —
31 34 —
1834 —
Feb. 1 Pres. Worth 1834 —
Profit & Loss
19— Jan. 31 40 — 19— Jan. 31 124 —
31 50 —
31 34 —
124 — 124 —
Merchandise Sales
19— Jan. 31 496 — 19— Jan. 4 260 —
31 124 — 6 140 —
10 220 —
620 — 620 —
Merchandise Purchases
19— Jan. 3 780 — 19— Jan. 31 654 —
5 240 — 31 496 —
11 130 —
1150 — 1150 —
Rent Paid
19— Jan. 2 40 — 19— Jan. 31 40 —
Salary
19— Jan. 15 50 — 19— Jan. 31 50 —

MODEL LEDGER CLOSED

PROFIT AND LOSS

							19— Jan.	31		9	300

Accounts which show Losses. The *second division* of the closing journal entries in this exercise deals with the accounts which show losses. The following *Rent Paid* account is used as an illustration:

RENT PAID

19— Jan.	3			5	25						

Make this entry to close this account into the *Profit and Loss* account.

Profit and Loss			25	
Rent Paid				25
To close the *Rent Paid* account into the *Profit and Loss* account.				

After posting this entry the accounts will appear as follows:

RENT PAID

19— Jan.	3			5	25		19— Jan.	31		9	25

PROFIT AND LOSS

19— Jan.	31			9	25		Jan.	31		9	300

If a *Salary* account were debited with $45, it would be closed by making and posting an entry similar to that given for the *Rent Paid* account. After posting such an entry the accounts will appear as follows:

SALARY

19—					19—				
Jan.	15		4	45	Jan.	31		9	45

PROFIT AND LOSS

19—						19—				
Jan.	31		9	25		Jan.	31		9	300
	31		9	45						

Proprietor's Account. The *third division* of the closing entries in this exercise deals with the transfer of the net profit to the *Proprietor's* account. Assume that David Lane is the proprietor, and his account in the ledger shows an investment of $1500 on Jan. 1. The following entry is necessary to transfer the net profit of $230 (the balance of the *Profit and Loss* account) to the *Proprietor's* account:

Profit and Loss		230	
David Lane, Prop.			230
To transfer the balance of the *Profit and Loss* account, representing the net profit of the period, to the *Proprietor's* account.			

After posting this entry the accounts will appear as follows:

PROFIT AND LOSS

19—					19—				
Jan.	31		9	25	Jan.	31		9	300
	31		9	45					
	31		9	230					
				300					300

DAVID LANE, PROPRIETOR

						19— Jan.	1		2	1500	
							31		9	230	

In the *Proprietor's* account enter the *Present Worth* in red ink on the debit side; rule the account, and then transfer the *Present Worth* to the credit side of the account, below the rulings, in black ink, under Feb. 1.

The account will then appear as follows:

DAVID LANE, PROPRIETOR

19— Jan.	31	Present Worth[1]		1730		19— Jan.	1		2	1500	
							31		9	230	
				1730						1730	
						Feb.	1	Present Worth		1730	

This completes the closing of the ledger.

Exercise 22. Closing the Model Ledger

For Written Work

Transfer the accounts represented in the model ledger, pages 16 and 17, together with a *Profit and Loss* account following the *Proprietor's* account, to a sheet of ledger paper, and then close the model ledger; the merchandise inventory is found on page 11. Make the closing entries on a sheet of journal paper.

After posting these entries and ruling the accounts, your work should agree with the model ledger closed, pages 40 and 41.

Exercise 23. Ledger Closings

For Written Work

On slips of ledger paper and journal paper open the following accounts, and then make the necessary entries to close them. Use Jan. 31 for the date.

If necessary, the student may rule blank paper for the ledger and the journal.

1. Merchandise Purchases, $565; Merchandise Sales, $312; inventory, $315.
2. Rent Paid, $30.

[1] To be written in red ink.

3. Merchandise Purchases, $980; Merchandise Sales, $675; inventory, $482.

4. Salary, $40.

5. Merchandise Purchases, $612; Merchandise Sales, $496; inventory, $375.

Find the net profit or the present worth in each of the following accounts, and then make the necessary entries to close them:

6. Profit and Loss: debit, $116.25; credit, $226.

7. *Student*, Proprietor: credit, $1600; net profit, $150.

8. Profit and Loss: debit, $210; credit, $325.

9. *Student*, Proprietor: credit, $1500; net profit, $165.

10. *Student*, Proprietor: credit, $1700; net profit, $235.

Exercise 24. Closing the Ledger

For Written Work

Directions. On a half sheet of ledger paper open the following accounts; allow eight lines for each account:

I

Student, Proprietor

						19— Jan.	1		1	1800	

Merchandise Sales

						19— Jan.	11		3	725	
							22		4	240	
							29		5	70	

Merchandise Purchases

19— Jan.	9		2	850							
	15		3	275							
	27		4	162							

RENT PAID

19— Jan.	2			1	35								

SALARY

19— Jan.	29			6	20								
	31			7	30								

Inventory:

Merchandise $465

a. Open the following accounts: *Merchandise Inventory* and *Profit and Loss.*

b. Make the necessary entries and postings to close the above ledger.

II

W. H. HANSEN, PROPRIETOR

						19— Feb.	1			1	1900		

MERCHANDISE SALES

						19— Feb.	9			3	208	50	
							20			5	297	25	
							26			6	510	65	

MERCHANDISE PURCHASES

19—																	
Feb.	5			2	310												
	16			4	422	50											
	23			5	538	75											

RENT PAID

19—																	
Feb.	4			2	30												

FUEL[1]

19—																	
Feb.	11			3	7	50											
	20			5	3	50											

SALARY

19—																	
Feb.	28			6	40												

Inventory:

Merchandise $395.40

a. Open the following accounts: *Merchandise Inventory* and *Profit and Loss.*

b. Make the necessary entries and postings to close the above ledger.

---

[1] This account is closed the same as the *Rent Paid* account in this exercise.

Sundry Expense Inventory. Observe the following directions in closing the *Office Supplies* account:

Make the following entry to record the inventory upon the books of account:

Sundry Expense Inventory			8	50	
Office Supplies					8 50
To record the inventory and to credit the *Office Supplies* account for the office supplies remaining unused on March 31.					

After posting this entry the accounts will appear as follows:

SUNDRY EXPENSE INVENTORY

19—												
Mar.	31		7	8	50							

OFFICE SUPPLIES

19—						19—					
Mar.	6		1	11	20	Mar.	31		7	8	50
	17		2	4	70						
	23		3	3	10						

Sundry Expense Inventory applies to all expense accounts in which inventories are found, at the end of a given period.

Make the following entry to close the *Office Supplies* account into the *Profit and Loss* account:

Profit and Loss			10	50	
Office Supplies					10 50
To close the *Office Supplies* account into the *Profit and Loss* account.					

After posting this entry the *Office Supplies* account will appear as follows:

OFFICE SUPPLIES

19—						19—					
Mar.	6		1	11	20	Mar.	31		7	8	50
	17		2	4	70		31		7	10	50
	23		3	3	10						
				19						19	

It is now necessary to transfer the amount in the *Sundry Expense Inventory* account to the *Office Supplies* account so that the latter account will show the office supplies on hand April 1.

To accomplish this transfer make the following entry:

Office Supplies			8	50	
Sundry Expense Inventory					8 50
To transfer the inventory of office supplies to the *Office Supplies* account.					

After posting this entry the accounts will appear as follows:

OFFICE SUPPLIES

19—						19—					
Mar.	6		1	11	20	Mar.	31		7	8	50
	17		2	4	70		31		7	10	50
	23		3	3	10						
				19						19	
Apr.	1		7	8	50						

SUNDRY EXPENSE INVENTORY

19—						19—					
Mar.	31		7	8	50	Apr.	1		7	8	50

Exercise 25. Closing the Ledger

For Written Work

Directions. *a.* On a half sheet of ledger paper open the following accounts; allow eight lines for each account:

I

Student, PROPRIETOR

						19—					
						Mar.	1		1	1750	

J

MERCHANDISE SALES

						19—					
						Mar.	8		3	376	45
							16		4	282	
							27		5	432	90
							30		6	235	55

MERCHANDISE PURCHASES

19—											
Mar.	4		2	498	65						
	13		4	337	50						
	24		5	524	35						
	29		6	228	40						

OFFICE SUPPLIES[1]

19—											
Mar.	5		2	13	25						
	16		4	6	80						
	22		5	5	50						

RENT PAID

19—											
Mar.	2		2	38							

Inventories:

Merchandise	$524.50
Office Supplies	12.20

b. Open the following accounts: *Merchandise Inventory*, *Sundry Expense Inventory*, and *Profit and Loss.*

c. Make the necessary entries and postings to close the above ledger.

[1] See page 48.

II

Student, PROPRIETOR

						19—					
						May	1		2	1875	

MERCHANDISE SALES

						19—					
						May	9		3	108	25
							16		4	396	35
							26		5	553	10
							29		5	65	40

MERCHANDISE PURCHASES

19—											
May	6		2	175	20						
	13		3	512	30						
	23		4	841	75						

OFFICE SUPPLIES

19—											
May	8		3	14	65						
	23		4	11	20						

FUEL[1]

19—											
May	6		2	22	35						
	19		4	31	40						

[1] On page 48 instructions were given regarding the *Office Supplies* account and its inventory. These instructions will apply to the closing of the *Fuel* account.

SALARY

19— May	31			5	42									

Inventories:

Merchandise	$672.50
Office Supplies	16.40
Fuel	22.50

a. Open the following accounts: *Merchandise Inventory*, *Sundry Expense Inventories*, and *Profit and Loss.*

b. Make the necessary entries and postings to close the above ledger.

Exercise 26. Closing the Ledger

For Written Work

The ledgers which the student posted and kept will now be used for this exercise.

In each ledger, open the necessary accounts for posting the closing journal entries.

1. Set A. Close the ledger. Compare the results with those shown in the statement of this set.

2. Set B. Close the ledger. Compare the results with those shown in the statement of this set. This set shows a net loss.

3. Set C. Close the ledger. Compare the results with those shown in the statement of this set.

After closing each ledger, keep it for a subsequent exercise.

Balancing the Cash Account. The *Cash* account in the ledger may be balanced according to the model at the top of the opposite page.

After balancing the account the condition of it is shown as a single item, the balance.

Any account may be balanced when the space assigned to it is filled and it is necessary to transfer it to a new space.

The use of red ink is largely a matter of custom. Many bookkeepers use no red ink at all, insisting that it is a waste of time to change from one to another. The use of red ink is advised for exercises in this book.

Cash

19–							19–						
Jan.	1		1	1250	10		Jan.	1		1	350	25	
	4		1	950	64			3		1	703	84	
	7		1	240	69			4		1	133	50	
	9		1	175	40			7		1	910	03	
	10		1	100	50			9		1	189	56	
	11		1	309	24			14		1	120	40	
	26		1	530	53				Balance		565	26	
	30		1	415	74								
				3972	84						3972	84	
Feb.	1	Balance		565	26								

Forwarding the Footings. Instead of balancing an account when it is necessary to transfer it to a new space, the total of each column may be carried forward. This is illustrated by the following script form:

Cash

19–							19–						
May	1		1	750	—		May	2		2	31	—	
	5		2	154	—			3		2	10	25	
	8		3	180	75			4		3	292	—	
	12		3	152	—			16		3	40	—	
	19		4	25	50			17		4	54	—	
	20		4	57	—			18		5	79	—	
	23		5	110	—			25		5	250	—	
	24		5	106	—			27		6	60	75	
								28		6	47	—	
								29		7	93	—	
								31		7	21	—	
	31	Carried to fol'd	26	1535	25			31	Carried to fol'd	26	978	—	

Cash

19–							19–						
June	1	Brot. to fol'd	17	1535	25		June	1	Brot. to fol'd	17	978	—	

Exercise 27. Balancing the Cash Account

For Written Work

Balance the *Cash* account in the ledgers of Sets A, B, and C.

SET D. TEA AND COFFEE

Directions. Journalize the following transactions, post (allowing ten lines for each account in the ledger), take a trial balance, make the statements, and close the ledger.

Balance the *Cash* account and then take a second trial balance.

Write on sheets of journal paper and ledger paper.

After the ledger has been closed, some of the accounts will have been changed; but if the work of the set has been done correctly, the balance of the ledger has not been impaired.

In making the second trial balance, use only the accounts which remain open upon the ledger.

If the student is able to do this work without assistance, he is ready for subsequent work; if not, he should rewrite one or more of the preceding sets.

MEMORANDA OF TRANSACTIONS

April 1. Wm. A. Springer began the Tea and Coffee business, investing cash, $1250.

3. Bought of Amos R. Hyde on account:

800 lb. Tea at 35¢ 1200 lb. Coffee at 28¢

4. Sold L. A. Swanson for cash:

150 lb. Tea at 50¢ 300 lb. Coffee at 35¢

5. Paid E. S. Washburn cash, for rent of the store for April, $40.

6. Paid Hays & Co. cash, for office books and supplies, $12.50.

8. Sold John Freeman on account:

240 lb. Tea at 50¢ 150 lb. Coffee at 35¢

9. Paid Little & Lane cash for 6 T. coal at $7.25.

11. Sold Harry M. Grace on account:

250 lb. Coffee at 35¢

12. Paid Amos R. Hyde cash, to apply on account, $500.

13. Bought of Amos R. Hyde on account:

750 lb. Coffee at 28¢

15. Received of John Freeman cash, to apply on account, $100.

April 16. The Proprietor takes from the business cash, to apply on his monthly salary, $37.50.

17. Gave Amos R. Hyde a note at 10 da., to apply on account, $150.

19. Sold Harper & Co. on account:

200 lb. Tea at 50¢ 500 lb. Coffee at 35¢

20. Received of Harry M. Grace cash, in full for the sale of *April 11.*

22. Bought of Greene & Co. on account:

2000 lb. Tea at 35¢

23. Sold Miller & Dunn for cash:

800 lb. Tea at 50¢

24. Received of Harper & Co. their note at 30 da., to apply on account, $100.

26. Sold Harry M. Grace on account:

200 lb. Tea at 50¢

27. Paid Amos R. Hyde cash, for a note due to-day, $150.

29. Gave Greene & Co. a note at 20 da., to apply on account, $200.

30. Paid John S. Potter, a clerk, cash, for his salary, $40.

30. The Proprietor takes from the business cash, for the balance of his monthly salary, $37.50.

Inventories, April 30, 19—

Merchandise:		
1210 lb. Tea at 35¢	$423.50	
750 lb. Coffee at 28¢	210.	$633.50
Fuel:		
Coal unused		21.
Office Supplies:		
Supplies unused		7.50

NOTE. The notes receivable are always assets; the notes payable, liabilities.

CORRECTION OF ERRORS

The correction of errors in books of record is a matter of special importance. Even careful workers make occasional errors, but corrections can be made so that the neatness of the books and their legal value are not affected. When an error is made, consult the instructor before attempting to correct it. *Do not erase.*

If a journal entry is wrong, correct it as follows: draw a *red* line through the wrong name, and then write the correct name in black ink either above or at the right of the correction, thus:

	Cash		102 50		
	~~E May~~ Notes Receivable			102	50
	Received check for note				
	due to-day				

If a journal entry is reversed, it may be corrected by writing, in red ink, *Cr.* after the debit item and *Dr.* after the credit item. Then post correctly.

	Cash-Cr.		176 20		
	Notes Payable-Dr.			176	20
	Note in favor of A.R.				
	Perkins due to-day				

If it is found that a wrong amount has been entered in the ledger, correct it as follows:

1. Rule a *red* line through the wrong amount.
2. Write the correct amount in black ink above the amount canceled.

Cash

19-				19-			
Sept	1	1	5000 —	Sept	2	1	450 —
	5	1	~~750~~ 580 —		9	1	~~508~~ —

If an amount has been entered on the wrong side of the ledger, correct it as follows:

1. Draw a *red* line through the amount that is wrong.
2. Enter the correct amount in black ink on the proper side of the ledger.

Cash

19-				19-			
May	1	1	5000 —	May	2	1	450 —
	9	1	546 —		9	1	~~546~~ —

NOTE. Sometimes a correction may be made by a *counter entry* in the journal. To illustrate: Suppose one had made this entry, Notes Receivable, Dr., Cash, Cr., and it was a wrong entry. It may be canceled as follows: Cash, Dr., Notes Receivable, Cr. As the wrong entry is thus disposed of, the correct entry may now be made.

FORMS OF STATEMENT

The profit and loss statements and the balance sheet or financial statement are made in many different forms, depending on the character and the volume of the business, and the facts that are to be set forth.

In a business under the control of one proprietor very simple statements may answer every requirement. In a partnership, when a number of persons are interested, a more complete setting forth of the facts of the business is necessary. In a corporation, organized under the laws of the state or the nation, the statements must show the results and the condition according to the demands of the authority under which the corporation is organized. In cities where many departments require separate accounting, still another form of statement may be demanded to set forth the facts that public business requires to be made known.

Working Sheet. The form illustrated on the following page is called a working sheet. Sometimes it is referred to as a working balance sheet or as a six-column statement. This model gives in a condensed form the final results of the business.

The net profit for a given period, the total assets and liabilities, and the proprietary interest at a given period are the chief outstanding facts in this form of a working sheet.

The first two columns of the working sheet illustrated contain the trial-balance debits and credits respectively, the third and fourth columns are used to record the amounts necessary to determine the net profit or loss of the period, the fifth column contains the assets, and the last column contains the liabilities and proprietary interest of the business.

The working sheet well illustrates the relationship between the trial balance and the profit and loss statement and the balance sheet, since all the amounts appearing in the trial balance are distributed in one or more of the columns. The fact that closing inventories, those not given in the trial balance, must always be considered in making accurate statements applies with equal force to the compilation of a correct working sheet.

The working sheet should not be used as a finished statement to present to the Proprietor or creditor, but rather as a means of

obtaining rapidly all data necessary for making a correct profit and loss statement and an accurate balance sheet or financial statement.

Working Sheet, Jan. 31, 19—

1	Cash	1803	24							1803	24		
1	Notes Receivable	696	87							696	87		
2	H. M. Dow	177	20							177	20		
2	J. C. Bush	210	—							210	—		
3	Mdse. Inventory							1245	70	1245	70		
3	Notes Payable				233	75							233 75
4	L. L. Martin				380	48							380 48
4	V. M. Leary				345	—							345 —
5	E. C. Mills, Prop.				3110	—							
6	Mdse. Sales				1872	13			1872	13			
6	Interest Earned				7	30			7	30			
7	Mdse. Purchases	2978	17				2978	17					
7	Salaries	22	75				22	75					
8	Fuel	50	—				30	—			20	—	
8	Interest Paid	10	43				10	43					
		5948	66	5948	66		3041	35	3125	13	4153	01	959 23
	E. C. M's Net Profit						83	78					
							3125	13	3125	13			
	Proprietary Interest												
	E. C. M's Investment			3110	—								
	" " " Profit			83	78								
	" " " Pres. Worth												3193 78
											4153	01	4153 01

A WORKING SHEET

CHAPTER II

SET I. RETAIL FUEL AND FEED BUSINESS

The *object* of this set is to illustrate in a practical manner one of the simplest forms of bookkeeping. In the preceding illustrative work the student has recorded all transactions and entries on sheets of journal paper and ledger paper; but now he is given a set of bound books, in which all records will be made.

The *books* used are the journal, the ledger, and the statement book. No business forms are handled, but different forms are illustrated, and entries are made directly from them.

Price List. The prices at which goods are to be bought and sold in this set are given in the following table:

PRICE LIST FOR JANUARY

Article	Cost	Selling Price
Grate Coal	$7.10	$8.25
Stove Coal	$7.25	$8.50
Nut Coal	$7.20	$8.50
Hay	$12.50	$16.50

Opening the Set. In working out this set the student should observe the following:

1. For the introductory memorandum, refer to the model journal on page 12. Follow this model carefully.

2. In this beginning work it is well for the student to journalize the transactions first on a sheet of journal paper; after correction, this work may be copied into the bound journal. The posting should be directly to the ledger.

3. A. M. Benton is represented as the proprietor.

4. Use the same explanatory forms as in the model journal (see page 12).

5. Take special pains in all writing, for legibility is most important in all work in bookkeeping.

6. Make neat, small figures.

MEMORANDA OF TRANSACTIONS FOR JANUARY

Jan. 1. A. M. Benton, Buffalo, N.Y., began the Retail Fuel and Feed business, investing cash, $2750.

2. Paid Edward N. Shaw cash, for rent of the store for January, $30.

3. Bought office supplies as per the following bill:

Buffalo, N.Y. Jan. 3, 19—

Mr. A. M. Benton

26 Main St. City

To E. L. Martin & Co. Dr.

Terms Cash

		1000 Billheads	2	—		
		1 qt. Writing Fluid		75		
		Ledger 4ᵉ; Journal 3ᵉ	7	50		
		Statement Book	1	—	11	25
		Received payt. E. L. Martin & Co. per D.				

Debit *Office Supplies* for the above bill.

A detailed statement of goods bought or sold is called either a *bill* or an *invoice*.

A detailed statement of goods bought to be used or consumed, or a statement of services rendered, is usually called a *bill*.

Thus, a physician's statement of services rendered, and the charges for the same, is called a *bill*; a statement of a quantity of silk bought or sold by a merchant is called either a *bill* or an *invoice*.

4. Bought of Allen & Parker for cash:

50 T. Grate Coal	35 T. Nut Coal
40 T. Stove Coal	20 T. Hay

5. Sold John S. Adams for cash:

10 T. Grate Coal	5 T. Hay

6. Sold A. M. Paterson on account:

15 T. Stove Coal	10 T. Nut Coal

Jan. 8. Sold John S. King for cash:

5 T. Grate Coal 5 T. Hay

9. Sold Charles M. Gray on account:

10 T. Stove Coal 10 T. Hay

11. Bought of Henry A. Stevens on account:

15 T. Stove Coal 15 T. Hay

12. Received cash as shown by the following check:

Buffalo, N.Y. Jan 12, 19— No. 14

Traders National Bank

Pay to the order of A. M. Benton $125.00

One hundred twenty-five 00/100 Dollars

A. M. Paterson

A *check* is an order on a bank by a depositor for the payment of money.

13. Received the following note to apply on account:

$110.00 Buffalo, N.Y. Jan 13, 19—

Ten days after date I promise to pay to the order of A. M. Benton

One hundred ten 00/100 Dollars

at his office, without interest

Value received

No. 10 Due 1/23/19— Charles M. Gray

15. Gave Henry A. Stevens a note at 10 da., to apply on account, $150.

16. Bought of Johnson & Main for cash:

5 T. Nut Coal

18. Gave the Monroe Typewriter Exchange cash for the following:

1 Typewriter, $50 1 Office Desk, $25

Debit *Office Furniture* for the amount of this bill.

19. Received of A. M. Paterson his check for the balance of the invoice sold him on *Jan. 6*, $87.50.

Jan. 20. Received of Charles M. Gray cash, to apply on account, $75.

20. Sold James W. Traver on account:

20 T. Grate Coal @ 12 T. Nut Coal

22. Bought of Lane & Son merchandise as follows:

Buffalo, N. Y. Jan. 22, 19—

Mr. A. M. Benton

26 Main St. City

To Lane & Son Dr.

Terms On account

	20	T. Hay	12 50	250 —		
	10	T. Grate Coal	7 10	71 —	321 —	

23. Received of Charles M. Gray cash, for his note which is due to-day, $110.

24. Received of James W. Traver his check, to apply on account, $100.

25. Gave Henry A. Stevens cash, for a note which fell due to-day, $150.

26. Sold A. M. Paterson on account:

5 T. Hay @ 5 T. Grate Coal

27. Gave Henry A. Stevens cash, to apply on account, $50.

29. Gave Lane & Son a note at 30 da., to apply on account, $135.

31. Paid *Student* cash, for services to date, $20.

Debit *Salaries.*

31. The Proprietor takes from the business cash, for his monthly salary, $50.

Pass the journal sheet to the instructor for correction and criticism; then copy carefully into the bound journal.

Inventories. Record the inventories on a sheet of journal paper. Keep this sheet for future reference.

Inventories, January 31, 19—

Merchandise:		
20 T. Grate Coal at $7.10	$142.	
30 T. Stove Coal at $7.25	217.50	
18 T. Nut Coal at $7.20	129.60	
30 T. Hay at $12.50	375.	$864.10
Office Furniture:		
Typewriter, at cost	$50	
Office Desk, at cost	25	$75
Office Supplies:		
Unused supplies		$5

NOTE. The student may verify the merchandise inventory.

Closing the Set. Open accounts in the ledger, four accounts on each page, in the following order:

Cash[1]
Notes Receivable
Accounts Receivable[2]
A. M. Paterson
Charles M. Gray
James W. Traver
Merchandise Inventory[3]
Office Furniture
Notes Payable
Accounts Payable[4]
Lane & Son
Henry A. Stevens
A. M. Benton, Prop.
Profit and Loss
Sundry Expense Inventory[3]
Merchandise Sales
Merchandise Purchases
Rent Paid
Office Supplies
Salaries

NOTE. The *Asset*, the *Liability*, and the *Proprietary Interest* accounts are used in compiling the balance sheet or the financial statement, and the *Profit and Loss* account is used in compiling the profit and loss statement. Hence these accounts are grouped in the ledger in this same order.

After posting, foot the accounts having more than one item, in pencil, making very small figures.

Take a trial balance of the ledger, omitting all accounts that balance; record it in Blank No. 1, on the page indicated by the index.

[1] Allow for the *Cash* account thirteen lines.

[2] *Accounts Receivable* are the personal accounts that show the amounts owed to the business. Do not write *Accounts Receivable* in the ledger. These are the personal accounts in which the debit side is the larger.

[3] These accounts will be used when the ledger is closed. *Sundry Expense Inventory* applies to all expense accounts in which inventories are found, at the end of a given period.

[4] *Accounts Payable* are the personal accounts that show the amounts owed by the business. Do not write *Accounts Payable* in the ledger. These are the personal accounts in which the credit side is the larger. The *Proprietor's* account is not included.

Make the profit and loss statement showing the net profit.

Make the balance sheet or financial statement showing the present worth, or proprietary interest.

Record the statements in Blank No. 1, on the page indicated by the index.

Make the necessary journal entries and postings to close the ledger.

Balance the *Cash* account.

Take a trial balance of the ledger.

Present all books to the instructor for approval.

Exercise 28. Review

For Written Work

I. JOURNALIZING

Journalize orally or in writing each of the following transactions, and state the reason for each debit and each credit named:

1. *Student* begins business with the following investment: cash, $1500; merchandise, $1350.

When several asset items represent the Proprietor's investment, each item is debited under its appropriate name, and the Proprietor is credited for the total. The following is the correct entry for problem 1:

Cash	1500	
Mdse. Inventory	1350	
Student, Prop.		2850
Investment at the beginning of business.		

The above is a compound entry; it may consist of any of the following: several debits and one credit; one debit and several credits; several debits and several credits.

A *simple entry* consists of one debit and one credit.

2. Edward M. Burke began business with the following investment: cash, $650; merchandise, $1152; A. J. Wilson's note, $675.

3. Adam H. Ross began business with the following assets: cash, $625; merchandise, $1450; R. M. Herring's note, $375; coal on hand for use in heating the store, $42.

4. Lincoln & Son began business with the following assets: cash, $875; account against Robinson & Co., $285; merchandise, $1155; J. R. Kent's note, $450; coal on hand for use in heating the store, $35.

5. *Student* begins business with the following assets: cash, $1100; merchandise, $1360; George Manning's note, $350; account against Price & Co., $235.

6. Gave Warren & Son your note at 30 da., to apply on account, $250.

7. Gave Martin V. Atkins your note at 60 da., with interest, to apply on account, $375.

No entry is made for the interest until the note is paid.

8. Received of Henry A. Cole his note at 20 da., with interest, to apply on account, $310.

9. Received of Lane & Lyman their note at 30 da., with interest, to apply on account, $215.

10. Received of Thomas & Co. cash for their note and the interest: face of the note, $400; interest, $12.

The following is the correct entry for problem 10:

Cash	412	
Notes Receivable		400
Interest Earned		12
For the note of Thomas & Co. and the interest.		

When money is borrowed we pay for the use of it, and we debit *Interest Paid* for the sum paid; when money is loaned by us we receive pay for the use of it, and we credit *Interest Earned* for the sum received.

When the statement is made that we *pay interest*, we really mean that we *pay cash* for the interest, or for the use of money.

11. Paid your note and the interest in cash, in favor of James S. Manner: face of the note, $255; interest, $10.

The following is the correct entry for problem 11.

Notes Payable	255	
Interest Paid	10	
Cash		265
Paid James S. Manner for my note and the interest.		

12. Received of H. H. Marden cash, for his note, $212.50.

13. Received of Henry N. Monroe cash, for his note and the interest: face of the note, $300; interest, $3.

14. Paid your note and the interest in cash, in favor of Bronson & Co.: face of the note, $250; interest, $5.

15. Paid your note in favor of Jenkins & Son in cash, $400.

16. Received a check from A. D. Franklin for his note, $200.

17. Paid your note in favor of H. C. Pomeroy in cash, $125.

18. Received a check from Lewis & Son for their note and the interest: face of the note, $325; interest, $6.50.

19. Paid your note and the interest in cash, in favor of A. D. Matthews: face of the note, $225; interest, $9.

20. Gave M. A. Grant your note at 30 da., with interest, to apply on account, $425.

21. Received of David S. Malloy his note at 60 da., with interest, to apply on account, $385.20.

II. Statements

Directions. Make the statements from the following trial balances, observing these directions:

1. *Office Furniture* is an asset, and in these exercises should be taken at the values shown in the trial balances.
2. *Interest Paid* always shows a loss.
3. *Interest Earned* always shows a profit.
4. Date each statement Feb. 28, 19—.

1.

Cash	$2443.	
Notes Receivable	347.50	
Mason & Ferris	400.	
H. A. Barker	50.20	
Henry & Son	500.	
Riggs & Co.	210.	
Sanford & Co.	312.40	
John M. Grace	150.75	
Office Furniture	110.	
Notes Payable		$177.
J. K. Luce		108.
D. A. Ward		120.
Ames & Co.		43.60
Charles S. Beard		147.25
Kane & Co.		123.75
Moore & Co.		109.
Student, Prop.		4500.
Mdse. Sales		390.50
Interest Earned		10.75
Mdse. Purchases	1142.50	
Salary	50.	
Interest Paid	13.50	
	$5729.85	$5729.85

Inventories, Feb. 28:

Merchandise	$943.25
Office Furniture	110.

2.

Cash	$1143.35	
Notes Receivable	465.	
A. K. Williams	133.40	
Parson & Co.	175.80	
John S. Arden	341.15	
Office Furniture	100.	
Notes Payable		$100.
Race & Hunter		143.25
S. A. Alden		65.20
George M. Lee, Prop.		1250.
H. K. Paine, Prop.		1250.
Mdse. Sales		1637.50
Interest Earned		21.10
Mdse. Purchases	2053.70	
Office Supplies	17.50	
Salary	30.	
Interest Paid	7.15	
	$4467.05	$4467.05
Inventories, Feb. 28:		
Merchandise		$701.20
Office Furniture		100.
Office Supplies		12.

III. Closing the Ledger

Directions. *a.* On a sheet of ledger paper copy the following accounts, allowing eight lines for each account:

I

Student, Proprietor

						19— Jan.	1		2	2400	

Merchandise Sales

						19— Jan.	11		2	414	35
							19		3	231	40
							24		4	142	
							29		5	341	25

Merchandise Purchases

19—														
Jan.	6		2	525	50									
	15		3	365	25									
	22		4	297	10									
	26		5	252	40									

Salaries

19—														
Jan.	31		6	45										

Office Supplies

19—														
Jan.	3		3	12	50									
	18		3	7	50									

Inventories, Jan. 31:

Merchandise	$621.45
Office Supplies	11.20

II

A. R. Thomas, Proprietor

						19—					1	2250		
						Feb.	1							

Merchandise Sales

						19—								
						Feb.	13				2	235	20	
							20				2	443	30	
							25				3	511	45	
							27				4	364	20	

Interest Earned[1]

						19—					
						Feb.	10		1	10	20
							25		3	9	45

Merchandise Purchases

19—											
Feb.	10		1	312	55						
	17		2	641	05						
	23		3	704	65						
	26		4	140							

Salaries

19—											
Feb.	15		3	30							
	28		4	50							

Interest Paid

19—											
Feb.	11		2	7	70						
	23		3	11	25						

Inventory, Feb. 28:

Merchandise $572.10

b. Open the following accounts: *Profit and Loss* and *Merchandise Inventory.*

c. Make the necessary entries and postings to close the above ledger.

[1] The closing journal entry for accounts which show profits, other than on the merchandise sold, may be illustrated from an *Interest Earned* account which shows a credit of $5. The following entry would be made to close this account into the *Profit and Loss* account:

Interest Earned	5	
Profit and Loss		5
To close the *Interest Earned* account into the *Profit and Loss* account.		

What entry should be made to close the *Interest Paid* account?

Exercise 29. Bookkeeping Problems

SUGGESTION. The following problems may be used either for oral or for written work; they also offer material for profitable discussion.

1. In Set B, verify the inventory which is given on page 26. How may one determine the value of the inventory?

2. On page 28 is a ledger account with M. M. Pond. Study this account and then answer the question, Was this account opened with Mr. Pond as a debtor or as a creditor?

3. On page 28 is a ledger account with D. A. Zook. Study this account and then answer the question, Was this account opened with Mr. Zook as a debtor or as a creditor?

4. On page 35 there are four trial balances. State what each debit amount stands for and what each credit amount stands for.

5. Give the reason for each debit and each credit in the transactions on page 54, Set D. Name the proper explanation for each entry.

6. Turn to your written ledger for Set I and quickly name the persons or firms of whom the proprietor bought goods, and the persons or firms to whom he sold goods.

7. In your ledger for Set I, name the following, relating to personal accounts:

a. The names of the accounts on which the business owes something.

b. The names of the accounts on which something is owed to the business.

c. The names of the accounts that have been paid in full.

d. The names of the accounts on which something has been paid on account.

e. The names of the accounts on which something has been received on account.

8. On page 65, state, in each transaction, when the word *interest* is used, whether it means *interest paid* or *interest earned.*

9. Give the name of the note on which interest is paid; the name of the note on which interest is received.

10. On pages 66 and 67 there are trial balances. State what each debit amount stands for and what each credit amount stands for.

CHAPTER III

INTRODUCTION OF THE CASHBOOK

In all the preceding work, in this text, it has been seen that every transaction of a business may be first recorded in a book called the *journal.*

The journal entry is undoubtedly the clearest and the most definite form of expressing the debits and the credits of business transactions; for this reason all the preceding work has been journalized.

In business it is more convenient, simple, and effective to classify the transactions as they occur; this is effected by using one or more books in addition to the journal.

In the next set the *cashbook* will be introduced, a model of which is given on pages 72 and 73.

The cashbook contains a record of all the receipts and the payments of cash in a given business. It is the detailed *Cash* account of the business.

The left-hand page contains a record of all the cash debits, the receipts, the names of the accounts to be credited, and a brief explanatory statement.

The right-hand page contains a record of all the cash credits, the payments, the names of the accounts to be debited, and a brief explanatory statement.

The difference between the two sides of the cashbook should show the amount, *balance*, of cash on hand.

In the next set all cash items will be entered in the cashbook, all the other transactions will be journalized as usual. Both the cashbook and the journal will be used as books of original entry.

On pages 72 and 73 is a script cashbook; the entries are from transactions similar to those in Exercise 30. Turn to these pages and note the cashbook entries.

As a preliminary drill it will be found helpful to study the journalizing of each cash transaction that has been entered in the script cashbook, as shown on page 72.

Cashbook entries, like journal entries, are all classified debits and credits.

If the cash receipts, from the model cashbook, and the cash payments were put in journal form, there would be two compound journal entries as follows:

Cash	$1758.20		Rent Paid	$22.50	
Student		$1400.	H. C. Beard	321.	
A. D. Marks		112.40	Fuel	36.	
Anna Carr		18.50	Office Supplies	10.20	
T. M. Kellar		117.30	Salary	15.	
C. D. Acres		110.	Boone & Co.	170.	
			Lake & Co.	130.	
			Cash		$704.70

The *first* record of a business transaction reveals the debit and the credit, no matter in what book the transaction may be recorded.

Exercise 30. The Cashbook

For Written Work

Opening the Cashbook. Observe the following directions:

1. Use a double sheet of journal paper, four pages; make the entries on pages 2 and 3.
2. This work is not to be recorded in the bound blank books.
3. *Student* is represented as the proprietor.

Below is given a script cashbook, complete in every detail. Refer to this model in recording the transactions on opposite page.

Cash Received

Jan	1	Student	Investment	1400	—		
	4	A. D. Marks	Invoice of 1/4	112	40		
	5	Anna Carr	Invoice of 1/5	18	50		
	9	T. M. Kellar	Invoice of 1/9	117	30		
	15	C. D. Acres	Invoice of 1/15	110	—		
	31	Cash, Dr.	Total for mo.			1758	20
						1758	20
Feb	1	Balance	On hand			1053	50

LEFT-HAND PAGE OF CASHBOOK

MEMORANDA OF TRANSACTIONS

Jan. 1. Student begins a General Merchandise business, investing cash, $1600.

2. Pay Owen Howe cash, for rent of the store for January, $27.50.

3. Buy of Larkin & Co., for cash, merchandise amounting to $437.50.

4. Sell Amos Drake, for cash, merchandise amounting to $86.45.

5. Pay Henry Stanton cash for 6 T. coal, for use in heating the store, at $7.50.

6. Sell Mary F. Jacobs, for cash, merchandise amounting to $12.40.

8. Buy of Carson & Co., for cash, stationery and office supplies, $3.25.

9. Sell Jacob T. Merton, for cash, merchandise amounting to $52.25.

10. Pay Melvin Stone, your clerk, cash, on his salary, $10.

12. Buy of Parker & Sanford, for cash, merchandise amounting to $210.

15. Student takes from the business cash, to apply on his monthly salary, $25.

17. Sell Jesse R. Wheaton, for cash, merchandise amounting to $46.25.

20. Sell Mason & Co., for cash, merchandise amounting to $65.40.

26. Sell Loomis & Son, for cash, merchandise amounting to $28.10.

30. Pay Melvin Stone cash for the balance of his monthly salary, $15.

31. Student takes from the business cash, for the balance of his monthly salary, $25.

Cash Paid

19—								
Jan.	2	Rent Paid	For 1 mo. Jan.	22	50			
	3	H. C. Beard	Invoice of 1/3	321	—			
	5	Fuel	5 T. coal at 7.50	36	—			
	8	Office Supplies	Books & stationery	10	20			
	10	Salary	Henry Johnson	15	—			
	12	Boone & Co.	Invoice of 1/12	170	—			
	13	Lake & Co.	Invoice of 1/13	130	—			
	31	Cash, Cr.	Total for mo.			724	70	
	31	Balance[1]	On hand			1053	50	
						1758	20	

[1] To be written in red ink.

RIGHT-HAND PAGE OF CASHBOOK

Closing the Cashbook. Proceed to close the work as follows:

1. Balance the cashbook; follow the script model.

NOTE. Under *Cash Paid* the line which records the *Balance* may be written in red ink.

2. Post the cashbook; use one sheet of ledger paper, two pages; allow ten lines for each account.

Here and in subsequent work accounts will be opened in the ledger with all persons from whom merchandise is purchased or to whom merchandise is sold, whether these items are cash or on account.

The amounts on the debit side, cash received, should be posted to the credit of the ledger accounts named; debit the *Cash* account for the total amount of the cash received.

The amounts on the credit side, cash paid, should be posted to the debit of the accounts named; credit the *Cash* account for the total amount of the cash paid out.

Write *C. B.* in the explanation column of the ledger; this indicates the name of the book from which the posting was done.

3. Take a trial balance and have it approved.

4. Pass all work to the instructor.

CHAPTER IV

SET II. WHOLESALE CARPET BUSINESS

This set is separate from Set I, but the character of the work is similar. The books used are the journal, the cashbook, and the ledger.

Price List. The prices at which merchandise is to be sold in this set are given in the following table:

SELLING PRICE LIST FOR FEBRUARY

Axminster	Brussels	Ingrain	Linoleum	Oilcloth	Wilton
$2.50	$1.35	75¢	60¢	30¢	$2.65

Opening the Set. Observe the following directions:

1. This is the first set written by the student when using the cashbook. If the instructor approves, the set may be first written on a double sheet of journal paper, as follows: pages 1 and 4, the journal; pages 2 and 3, the cashbook.

2. After the entries are finished, close the cashbook, and then have the work approved by the instructor.

3. James R. Denison is represented as the proprietor.

MEMORANDA OF TRANSACTIONS FOR FEBRUARY

Feb. 1. James R. Denison, Boston, Mass., began the Wholesale Carpet business with the following assets: cash, $500; merchandise on hand, $2595.50; office furniture, $200; coal for heating the store, $15; the following note:

$300.00 Boston, Mass., Feb. 1, 19—

Ten days after date I promise to pay to the order of James R. Denison Three hundred 00/100 Dollars at his office, with interest at 6%

Value received

No. 17 Due 2/11/19— Ernest B. Jackson

In opening the books these assets are journalized as follows:

February 1, 19—

			James R. Denison began the Wholesale Carpet business with the following assets:				
Feb.	1	✓	Cash	500			
			Notes Receivable	300			
			Mdse. Inventory	2595	50		
			Office Furniture	200			
			Fuel	15			
			James R. Denison, Investment			3610	50

The cash item of $500 should be entered under *Cash Received*, in the cashbook, as follows:

Cash Received

Feb.	1	✓	James R. Denison	Investment	500		

The checking of an item, as above, is a simple means of noting that it is not to be posted.

Feb. 2. Paid Lee & Crane cash for the following items: stationery, $4.50; office books, $3.50.

3. Paid George R. Daniels cash, for rent of the store for February, $75.

4. Bought of W. B. Mason & Co., Philadelphia, on account, invoice of carpets amounting to $572.50.

5. Bought of A. R. Prescott & Co., New York, on account, invoice of carpets amounting to $612.95.

6. Sold W. F. Pratt, Springfield, on account:

200 yd. Brussels 150 yd. Ingrain
100 yd. Axminster

6. Sold James R. Holcomb, City, for cash:

100 yd Oilcloth 40 yd. Axminster

Enter this sale in the journal; also in the cashbook under *James R. Holcomb.*

9. Sold John W. King, City, on account:

40 yd. Oilcloth 16 yd. Linoleum
60 yd. Brussels

9. Sold M. F. Newbury, Providence, on account:

100 yd. Wilton 120 yd. Axminster

10. Remitted to A. R. Prescott & Co. a note at 10 da., with interest at 6%, in full for the invoice of *Feb. 5.*

Feb. 11. Received of Ernest B. Jackson cash for his note and interest due to-day: face of note, $300; interest, 50¢; total, $300.50.

There are two entries under *Cash Received,* in the cashbook. What names are to be used?

12. Received of W. F. Pratt his note at 10 da., with interest at 6%, $250, and the balance of the invoice of *Feb. 6* in cash.

Enter the amount of the note in the journal, and enter to the proper account in the cashbook the difference between the amount of the note and the invoice of *Feb. 6.*

13. Sold George S. Rollins, City, for cash:

100 yd. Brussels 100 yd. Linoleum

15. Bought of A. R. Prescott & Co., New York, on account, invoice of carpets amounting to $172.50.

16. Sold W. F. Pratt, Springfield, on account:

40 yd. Ingrain 65 yd. Brussels
100 yd. Axminster

20. The First National Bank presented for payment the note in favor of A. R. Prescott & Co., due to-day. Paid the note and interest in cash: face of the note, $612.95; interest, $1.02; total, $613.97.

There are two entries in the cashbook. What names are to be used?

20. Sold John A. Newton, City, for cash:

70 yd. Wilton

22. Received of W. F. Pratt cash for his note and interest due to-day: face of the note, $250; interest, 42¢; total, $250.42.

22. Bought of C. W. Allen & Co., City, for cash, an invoice of carpet amounting to $410.50.

Enter in the journal and in the cashbook.

23. Received the following check, to apply on account:

Boston, Mass., Feb. 23, 19— No. 16

Traders National Bank

Pay to the order of James R. Denison — $300.00

Three hundred 00/100 — Dollars

M. F. Newbury

Under what name is this check entered?

As checks are used so commonly in business, a careful study of this form is commended.

Feb. 25. Sold John W. King, City, the following (received cash, $65; balance on account):

50 yd. Ingrain 40 yd. Axminster

Enter the whole invoice in the journal; under *Cash Received,* in the cashbook, enter the $65, under *John W. King.*

26. Received of John W. King his note at 30 da., with interest at 6%, for the amount of the invoice of *Feb. 9.*

26. Remitted to W. B. Mason & Co. a note at 30 da., with interest at 6%, in full for the invoice of *Feb. 4.*

27. Sold Lewis & Parsons, City, for cash:

200 yd. Ingrain 50 yd. Linoleum
100 yd. Oilcloth

27. Paid *Student,* for services to date, $40; paid A. M. Olcott, for services to date, $30.

27. The Proprietor takes cash from the business for his monthly salary, $125.

Balancing the Cashbook. Balance the cashbook according to the script model on pages 72 and 73.

Pass all work to the instructor for approval.

All work is to be recorded in the blank books on the pages indicated for Set II, in Blank No. 1.

Inventories. The following inventories are to be used in this set:

Inventories, February 28, 19—

Merchandise:	
Per schedule prepared by Denison	$2214.92
Office Furniture	200.

Closing the Set. Open accounts in the ledger, four accounts on each page, in the following order, beginning on the page indicated by the index:

NOTE. On page 63 a note states that the order of accounts to be followed in opening the ledger was so arranged as to facilitate the making of the statements. It should be noticed that each of the various groups of accounts follow in order, and if they are properly entered, it is unnecessary to turn all the pages of the ledger in order to know that all the accounts of a group have been included in the appropriate statement.

Cash
Notes Receivable
Accounts Receivable[1]
W. F. Pratt
John W. King
M. F. Newbury
James R. Holcomb
George S. Rollins
John A. Newton
Lewis & Parsons
Merchandise Inventory
Office Furniture
Notes Payable
Accounts Payable[1]
A. R. Prescott & Co.
W. B. Mason & Co.
C. W. Allen & Co.
James R. Denison, Prop.
Profit and Loss
Merchandise Sales
Interest Earned
Merchandise Purchases
Rent Paid
Office Supplies
Fuel
Salaries
Interest Paid

Foot the accounts in pencil.

Take a trial balance; omit all accounts that balance. After approval, record it in Blank No. 1, on the page indicated by the index.

Make the profit and loss statement showing the net profit.

Make the balance sheet or financial statement showing the present worth, or proprietary interest.

Record the statements in Blank No. 1, on the page indicated by the index.

Make the necessary entries and postings to close the ledger.

In this set there is a merchandise inventory at the beginning, $2595.50, and it is necessary to transfer this amount to the *Merchandise Purchases* account before the other closing journal entries are made.

The *Merchandise Inventory* account, as here given, represents the merchandise that was purchased and on hand before the business of the month of February was undertaken; hence it must be transferred to the *Merchandise Purchases* account in order that that account may show *all* the merchandise for the month from which the sales were made, otherwise the correct profit on the merchandise sold could not be found when the books were closed.

The following is the entry:

Merchandise Purchases	2595	50		
Merchandise Inventory			2595	50
To transfer the inventory of Feb. 1 to the *Merchandise Purchases* account.				

After posting the entry, rule the *Merchandise Inventory* account.

Balance the *Cash* account.

Take a trial balance of your ledger.

Present all books to the instructor for approval.

[1] Remember, do not write *Accounts Receivable* nor *Accounts Payable* in your ledger.

Exercise 31. Review

For Written Work

I. Statements

Make the statements from the following trial balances. Date each statement March 31, 19—.

1.

Cash	$661.75	
Notes Receivable	125.	
James A. Hardin	365.	
Martin & Son	235.20	
Mdse. Inventory	920.	
Notes Payable		$325.
Frederic & Co.		286.50
Lyman A. Grant		67.40
Student, Prop.		2450.
Mdse. Sales		1827.40
Interest Earned		13.75
Mdse. Purchases	2554.75	
Salaries	100.	
Interest Paid	8.35	
	$4970.05	$4970.05

Inventory, March 31:

Merchandise $1926.50

2.

Cash	$1364.35	
Henry Johnson	238.20	
Henry T. James	107.75	
Mdse. Inventory	1000.	
Office Furniture	135.	
Notes Payable		$411.45
H. H. Weston		320.
H. M. Reed		298.40
Morris & Son		205.
Geo. S. Masten, Prop.		2250.
Mdse. Sales		2400.60
Interest Earned		13.50
Mdse. Purchases	2975.50	
Salary	50.	
Interest Paid	28.15	
	$5898.95	$5898.95

Inventories, March 31:

Merchandise	$1826.50
Office Furniture	135.

II. Closing the Ledger

Directions. On a sheet of ledger paper copy the following accounts, allowing eight lines for each account:

I

Student, Proprietor

						19—			
						Mar.	1	1	2500

Merchandise Sales

						19—			
						Mar.	9	1	582 20
							16	2	359 40
							23	2	157 80
							29	4	108 25

Interest Earned

						19—			
						Mar.	17	2	10 30
							24	3	5 85

Merchandise Purchases

19—									
Mar.	4		1	347	65				
	13		2	247	80				
	19		2	475	10				
	26		3	512					

Office Supplies

19—									
Mar.	3		1	12	45				
	15		2	8	75				
	30		3	6	40				

RENT PAID

| 19— | | |

JAMES H. CONWAY, PROPRIETOR

								19— Apr.	1	1	3150

MERCHANDISE SALES

								19— Apr.	9	1	978 45
									13	2	671 50
									22	2	572 90
									26	5	110 25

INTEREST EARNED

								19— Apr.	17	2	9 60
									25	5	16 25

MERCHANDISE PURCHASES

19— Apr.	4					1	758	30			
	11					2	862	55			
	17					2	265	75			
	24					5	488	30			

OFFICE SUPPLIES

19— Apr.	10					2	15	35			
	24					5	9	85			

RENT PAID

| 19— | | |

4. You gave W. H. Acker your note at 30 da., with interest, to apply on account, $250.

5. Bought merchandise of Gross & Co. amounting to $720. Gave them cash for one half the invoice; balance on account.

6. Sold James S. Marble merchandise amounting to $550. Received his check for one half the invoice; balance on account.

7. Paid your note in favor of Markham & Co. in cash, $325.

8. Received a check from Henry A. Nolan for his note, $100.

9. You gave Canton & Co. cash for your note and the interest: face of the note, $245; interest, $4.90.

10. Received a check from J. K. Allis for his note and the interest: face of the note, $515; interest, $10.30.

11. You, the proprietor, take cash from the business, to apply on your monthly salary, $60.

12. Borrowed from the First National Bank cash, $200; gave them your note at 30 da.

13. Loaned David R. Best cash, $160, and received his note at 60 da.

14. Paid Harding & Baker cash, for the interest on your note, $15.

15. Received of John S. Durkin cash, for the interest on his note, $20.

CHAPTER V

ADDITIONAL BOOKS USED

The student has already used the journal and the cashbook in which entries were first made, and then postings have been made to the ledger. In subsequent sets the purchase book and the sales book are to be used as books of original entry; that is, books in which entries are *first* made.

Purchase Book. The *purchase book* contains, usually, an abstract of all bills of merchandise bought. At regular intervals the book is footed, ruled, and posted.

The script purchase book is illustrated on page 89.

Sales Book. The *sales book* contains a record of all sales on account, and usually of all cash sales, except small retail sales for which no bills are rendered. In this text all sales are entered in the sales book. The records consist of the names and the addresses of the purchasers, the terms, the items, the prices, and the amounts of goods sold. At regular intervals the book is footed, ruled, and posted.

The script sales book is illustrated on pages 90 and 91.

When the cashbook, the purchase book, and the sales book are used, only such transactions as do not affect these books are entered in the journal.

It will be found helpful, as a preliminary drill, to journalize each purchase or each sale on the blackboard, and then note the corresponding entry in the purchase book or the sales book.

ILLUSTRATION. All the entries in the purchase book might be written as a compound journal entry, as follows:

Mdse. Purchases	600	
John Adams		120
Wm. A. Smith		180
D. S. Jones		200
Asa M. Martin		100

ILLUSTRATION. All entries in the sales book might be written as a compound journal entry, as follows:

R. H. Downey	150	
Leon J. King	125	
Benj. L. Ransom	75	
Mdse. Sales		350

The receipts and the payments of cash, the purchases, and the sales constitute the leading entries and records in bookkeeping, and the keeping of separate books for each results in these advantages:

1. Information is more readily obtained if the cash, the purchases, and the sales are each grouped in separate books.

2. The balance of cash may be readily found at any time.

3. The individual and collective purchases may be referred to at once, for all the purchases are in one book.

4. The individual and collective sales may be referred to at once, for all the sales are in one book.

5. Much time is saved in posting, as the *totals* of cash, of purchases, and of sales are posted to the ledger.

SET E. FLOUR AND GRAIN

Model Set

On pages 89–93 is a model set in script, in which the journal, the cashbook, the purchase book, and the sales book have been used, and posted to the ledger. This set was written from the following Memoranda of Transactions, but different prices were used in some instances.

Opening the Set. Write the set from the Memoranda of Transactions following. If necessary, be guided by reference to the *model script set.*

1. Use a double sheet of journal paper (four pages) and a sheet of ledger paper (two pages).

2. On the upper half of page 1 of the journal sheet write the *journal,* and on the lower half, the *purchase book*; on pages 2 and 3, the *cashbook*; on page 4, the *sales book.* On the unused portion of page 3 write the *trial balance.*

3. This set is not to be recorded in the bound blank books.

4. The entries will be the same as in the script models, but the amounts will differ in some of the transactions.

5. A. B. Coates is represented as the proprietor.

MEMORANDA OF TRANSACTIONS

March 1. A. B. Coates, 728 Market St., Chicago, Ill., began the Grain and Produce business, investing cash, $1500.

Make a memorandum in the *journal,* but the entry for the cash invested is to be made in the *cashbook.*

1. Paid H. C. Inman cash, for rent of the store for March, $75.

1. Paid Resor & Co. cash, for office books and supplies, $12.50.

March 2. Bought of Rowen & Co., Minneapolis, on account, 30 da.:

400 bbl. Flour at $5.20

3. Bought of Wesley & Son, City, for cash:

600 bu. Wheat at $1

4. Bought of Rising & Co., for cash, 4 T. coal, for heating the store, at $6.40.

5. Sold E. M. Ferris, Buffalo, on account, 20 da.:

150 bbl. Flour at $6.50 150 bu. Wheat at $1.25

9. Bought of Rowen & Co., Minneapolis, on account, 30 da.:

800 bu. Oats at 48¢

10. Sold Jas. R. Mahoney, City, on account, 20 da.:

100 bu. Wheat at $1.25

11. Sold E. D. Messer, City, for cash:

50 bbl. Flour at $6.50 200 bu. Oats at 60¢

15. Sold E. M. Ferris, Buffalo, on account, 20 da.:

300 bu. Oats at 60¢ 150 bu. Wheat at $1.25

20. Sold A. W. Carson, City, for cash:

100 bbl. Flour at $6.50 150 bu. Oats at 60¢

23. Bought of A. A. Dunton, City, on account, 3 da.:

500 bu. Wheat at $1

25. Received of E. M. Ferris his check in full for the invoice of *March 5.*

A check is treated as cash; record the amount under *Cash Received.*

26. Paid A. A. Dunton cash in full for the invoice of *March 23.*

27. Sent Rowen & Co. a note at 20 da., with interest, in full for the invoice of *March 2.*

30. Received of Jas. R. Mahoney cash in full for the invoice of *March 10.*

31. Paid the bookkeeper, C. K. Price, his monthly salary in cash, $50.

31. The Proprietor takes from the business cash, for his monthly salary, $150.

Closing the Set. Proceed to close the books, as follows:

1. Balance the cashbook; follow the model script form.
2. Make the closing entry and rulings in the purchase book.
3. Make the closing entry and rulings in the sales book.

March 1, 19—

			A. B. Coates, Chicago, Ill., began a Grain and Produce business at 728 Main St., investing cash $1500.				
Mar.	27	92	Rowen & Co.	2080	—		
		92	Notes Pay.			2080	—
			Gave them a note at 20 da. with interest for invoice of 3/2				

SET E. JOURNAL

Date		F.	Names and Addresses	Terms	Amounts		Totals	
19—								
Mar.	2	92	Rowen & Co., Minneapolis	30 da.	2080	—		
	3	92	Vasley & Son, Cityy	Cash	600	—		
	9	92	Rowen & Co., Minneapolis	30 da.	384	—		
	23	92	A. A. Dunton, Cityy	3 da.	500	—		
	31	92	Mdse. Purchases Dr.				3564	—

SET E. PURCHASE BOOK

Cash Received

19–								
Mar.	1	92	A. B. Coates	Investment		1500 —		
	11	92	E. D. Messer	Invoice of 3/11		425 —		
	20	92	A. W. Carson	Invoice of 3/20		725 —		
	25	92	E. M. Ferris	Invoice of 3/5		1162 50		
	30	92	Jas. R. Mahoney	Invoice of 3/10		125 —		
	31	92	Cash, Dr.	Total for mo.			3937	50
							3937	50
Apr.	1	✓	Balance	On hand			2534	90

March 5, 19–

Mar.	5	92	E. M. Ferris	Buffalo				
			20 da.					
			150 bbl. Flour		6 50	975 —		
			150 bu. Wheat		1 25	187 50	1162	50
	10	92	Jas. R. Mahoney	City				
			20 da.					
			100 bu. Wheat		1 25		125	—
	11	92	E. D. Messer	City				
			Cash					
			50 bbl. Flour		6 50	325 —		
			200 bu. Oats		.50	100 —	425	—
	15	92	E. M. Ferris	Buffalo				
			20 da.					
			300 bu. Oats		.60	180 —		
			150 bu. Wheat		1 25	187 50	367	50
			Carried forward				2080	—

SET E. SALES BOOK

Cash Paid

19–								
Mar.	1	93	Rent Paid	For March	75	—		
	1	93	Office Supplies	Reson & Co., stationery	12	—		
	3	92	Wesley & Son	Invoice of 3/3	600	—		
	4	93	Fuel	4 T. coal	25	60		
	26	92	A. A. Dunton	Invoice of 3/23	500	—		
	31	93	Salaries	C. K. Price	40	—		
	31	93	Salaries	Proprietor	150	—		
	31	92	Cash, Cr.	Total for mo.			1402	60
	31	✓	Balance [1]	On hand			2534	90
							3937	50

[1] To be written in red ink.

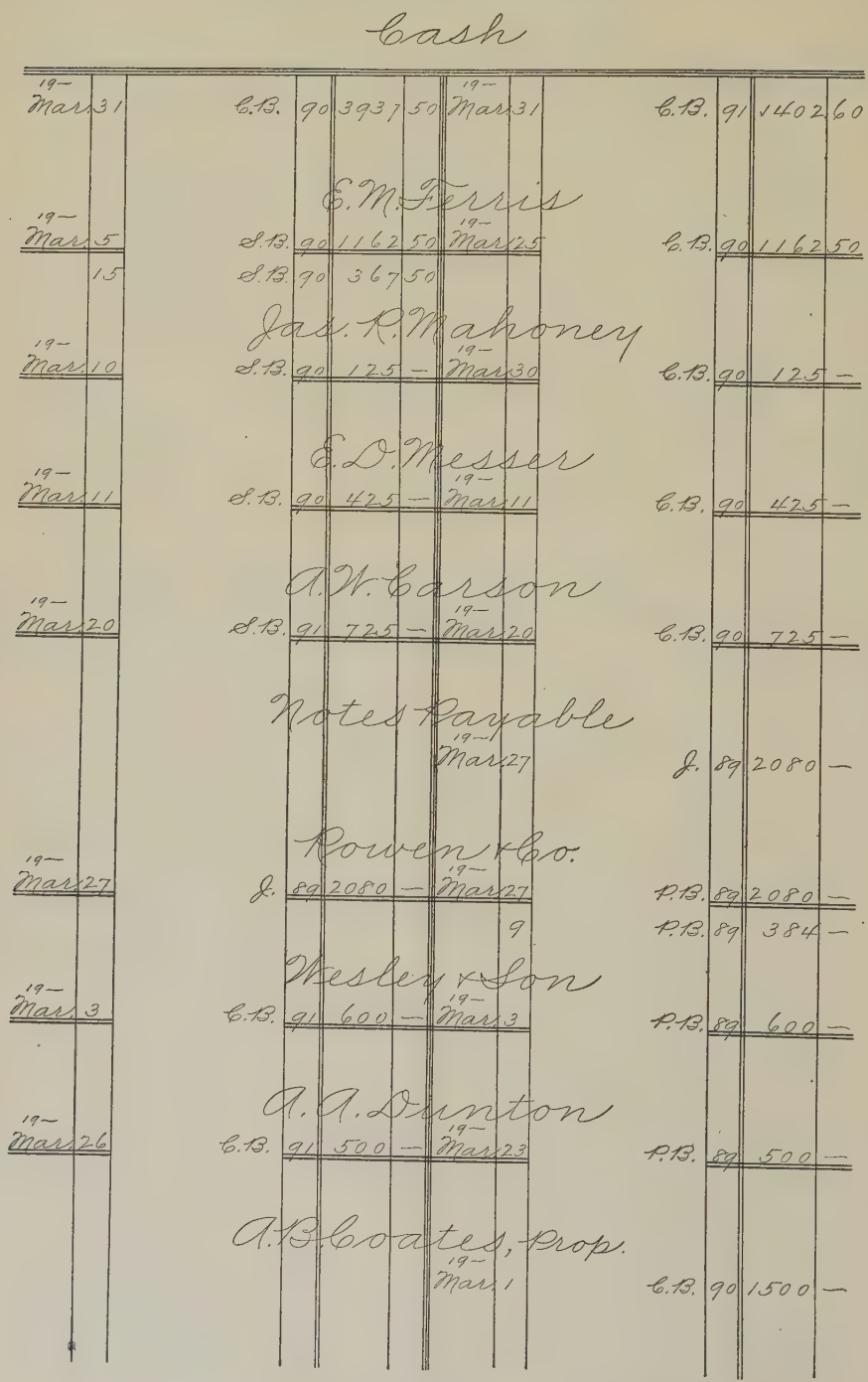
March 20, 19–

			Brought forward				2080	—
Mar.	20	92	A. W. Carson	City				
			Cash					
			100 bbl. Flour	6.50	650	—		
			150 bu. Oats	.50	75	—	725	—
	31	93	Mdse. Sales, Cr.				2805	—

Trial Balance, March 31, 19–

92	Cash	2534 90	
92	E. M. Ferris	367 50	
92	Notes Payable		2080 —
92	Rowen & Co.		384 —
92	A. B. Coates, Prop.		1500 —
93	Mdse. Sales		2805 —
93	Mdse. Purchases	3564 —	
93	Rent Paid	75 —	
93	Office Supplies	12 —	
93	Fuel	25 60	
93	Salaries	190 —	
		6769 —	6769 —

SET E. SALES BOOK (CONTINUED), AND TRIAL BALANCE


Cash
19— Mar. 31 C.B. 90 3937 50
19— Mar. 31 C.B. 91 1402 60
E. M. Ferris
19— Mar. 5 S.B. 90 1162 50
19— Mar. 25 C.B. 90 1162 50
15 S.B. 90 367 50
Jas. K. Mahoney
19— Mar. 10 S.B. 90 125 —
19— Mar. 30 C.B. 90 125 —
E. D. Messer
19— Mar. 11 S.B. 90 425 —
19— Mar. 11 C.B. 90 425 —
A. W. Carson
19— Mar. 20 S.B. 91 725 —
19— Mar. 20 C.B. 90 725 —
Notes Payable
19— Mar. 27 J. 89 2080 —
Rowen & Co.
19— Mar. 27 J. 89 2080 —
19— Mar. 27 P.B. 89 2080 —
9 P.B. 89 384 —
Wesley & Son
19— Mar. 3 C.B. 91 600 —
19— Mar. 3 P.B. 89 600 —
A. A. Dunton
19— Mar. 26 C.B. 91 500 —
19— Mar. 23 P.B. 89 500 —
A. B. Coates, Prop.
19— Mar. 1 C.B. 90 1500 —

SET E. LEDGER

Merchandise Sales

						19– Mar.	31	S.B.	91	2805 –

Merchandise Purchases

19– Mar.	31	P.B.	89	3564 –						

Rent Paid

19– Mar.	1	C.B.	91	75 –						

Office Supplies

19– Mar.	1	C.B.	91	12 –						

Fuel

19– Mar.	4	C.B.	91	25 60						

Salaries

19– Mar.	31	C.B.	91	40 –						
	31	C.B.	91	150 –						

SET E. LEDGER (CONTINUED)

4. Post all books to the ledger; allow five lines for each account.

a. Post from the journal in the usual way, writing *J.* in the explanatory column of the ledger.

b. Post from the cashbook; write *C.B.* in the explanatory column of the ledger. Remember to post the footings of the cashbook.

c. Post from the purchase book. Credit each personal account, and debit *Merchandise Purchases* for the total purchases. Write *P.B.* in the explanatory column of the ledger. Write the ledger page in the folio column of the purchase book.

d. Post from the sales book. Debit each personal account, and credit *Merchandise Sales* for the total sales. Write *S.B.* in the explanatory column of the ledger. Write the ledger page in the folio column of the sales book.

5. Recheck the posting; foot the ledger accounts.

6. Take a trial balance and have it approved by the instructor.

7. Pass all work to the instructor.

NOTE. If additional work is required, use Set C, page 26.

SET F. COAL AND WOOD

Opening the Set. This set is designed to give further drill in the use of the cashbook, the purchase book, the sales book, the journal, and the ledger.

1. Use sheets of journal paper and ledger paper.
2. This set is not to be recorded in the bound blank books.
3. Follow the directions given in the model script set.
4. *Student* is represented as the proprietor.

MEMORANDA OF TRANSACTIONS

April 1. *Student* begins a Coal and Wood business, investing cash, $1750.

2. Rent a coal and wood depot of C. M. Estes, 17 Warren St.; give him a check for the month of April, $75.

3. Buy of M. L. Travers, for cash, 2 work horses, $130 each; 1 delivery wagon, $100; 1 set double harness, $35.

Debit *Delivery Equipment* for the total of the above bill.

4. Buy of C. F. Osborn & Co., City, on account, 10 da.:

100 T. Egg Coal at $6 — 100 T. Grate Coal at $6.10

4. Buy of Stevens & Co., Pittsburgh, on account, 10 da.:

100 T. Stove Coal at $6.25 — 100 T. Nut Coal at $6.20
100 T. West Virginia Coke at $5

8. Buy of C. L. Smith, City, for cash:

10 cd. Maple Wood at $3.50 — 10 cd. Pine Wood at $4.50
10 cd. Body Hickory Wood at $5.50

9. Sell George H. Marshall, Homeville, on account:

50 T. Stove Coal at $7.50 — 50 T. Grate Coal at $7.25

11. Sell Gaylord & Son, City Point, on account:

50 T. West Virginia Coke at $6 — 50 T. Nut Coal at $7.50

12. Sell G. A. Collier, City, for cash:

50 T. Stove Coal at $7.50 — 10 cd. Maple Wood at $4.50
10 cd. Body Hickory Wood at $6.50

15. Pay C. F. Osborn & Co. cash, to apply on account, $500.

16. Receive of Gaylord & Son cash, to apply on account, $250.

17. Give Stevens & Co. a note at 30 da., with interest, to apply on account, $1000.

April 20. Receive of Gaylord & Son their check to balance account, $425.

25. Receive of George H. Marshall cash, to apply on account, $350.

27. Sell G. A. Collier, City, for cash:

10 cd. Pine Wood at $5.50 50 T. Grate Coal at $7.25

29. Pay Mary L. Pierce, the bookkeeper, her monthly salary in cash, $30; pay James Torrey, the teamster, his monthly salary, $30; pay E. L. Higgins, for care of the horses, $16.50.

30. Make an additional investment in cash, $750.

Inventories, April 30, 19—

Merchandise:

50 T. Nut Coal at $6.50
100 T. Egg Coal at $6
50 T. West Virginia Coke at $4.75

Delivery Equipment:

Horses, Wagon, and Harness at cost, $395

Closing the Set. Close all the books.

Post to the ledger; allow eight lines for each account.

Remember to open the ledger accounts in the proper order.

Take a trial balance; make the statements; close the ledger.

Pass all work to the instructor for approval.

CHAPTER VI

INTRODUCTION TO BUSINESS PRACTICE

THE BANK ACCOUNT

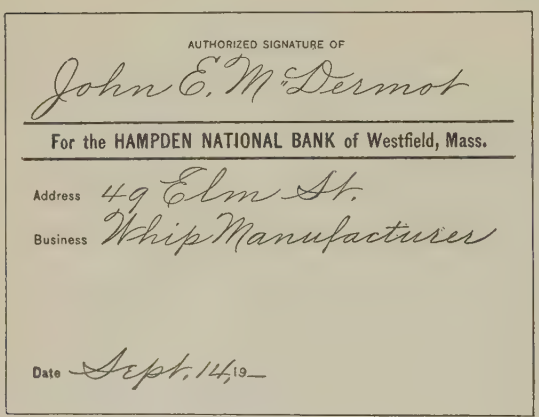
Bank. A *bank*, primarily, is an institution chartered by the state or the national government, to deal in credits and to provide for the safe-keeping of money.

Commercial Bank. A *commercial bank* renders important and diversified services to business men, among which are the following:

1. It grants credit to business men who wish to borrow money.

2. It is a safe place to keep money, securities, and valuables.

3. It facilitates the payment of money by allowing deposits to be drawn out on an order called a *check*. It does away with the necessity of sending money from one place to another.


AUTHORIZED SIGNATURE OF
John E. McDermot
For the HAMPDEN NATIONAL BANK of Westfield, Mass.
Address 49 Elm St.
Business Whip Manufacturer
Date Sept. 14, 19—

A SIGNATURE CARD

4. It is especially helpful to business men in making collections, as notes, checks, and drafts.

5. The modern bank is very often called upon to give counsel to its patrons regarding the advisability of making investments. Banks are able to give expert advice along these lines.

Opening an Account. A person opens an account with a commercial bank by being identified if he is not known to the bank. After identification he writes his name in a *signature book* or on a *signature card*. He then makes out a deposit ticket for all items deposited, as cash, checks, etc. The bank furnishes deposit tickets and a check book (a book of blank checks and stubs), without charge.

The illustration above shows a signature card properly filled out by a depositor when he opens an account with a bank.

The *signature card* gives such information as the bank may require concerning the depositor, but the most important is the depositor's signature. Any paper presented at the bank bearing the depositor's name admits of identification by reference to the signature card.

A plain, neat signature is most difficult to imitate. *One should always write his name in exactly the same form.*

Deposits. Deposit tickets are not uniform in arrangement. The following illustration shows how the items of a deposit may be classified for the convenience of the bank which receives them. The listing of each check separately on the ticket is of special importance to the bank.

These tickets are commonly made up on an adding machine; a duplicate copy may be made for the file of the depositor. The file of these duplicates is valuable for reference.

The deposit ticket and the items for deposit should be handed to the *receiving teller*, the official who generally receives all money and all deposits passed to the bank. He examines the deposit, and if everything is found to be correct, he enters it in a book called a *pass book*.

The pass book is returned to the depositor by the teller and serves as a receipt for the money deposited in the bank; it should always accompany a deposit. Under no circumstances should the depositor make an entry in his pass book.

THE UNION BANK

DEPOSITED BY

W. B. Gray & Co.

Boston, Mass., Jan 17, 19—

Please list each check separately

Bills	90	—
Gold		
Silver	10	75
Checks First	420	—
Erie, Pa.	105	50
Hartford, Conn	1052	30
	1678	55

A DEPOSIT TICKET

On this deposit ticket, in addition to the currency items, each check is listed by giving the name of the bank or of the city on which it is drawn, for the convenience of the bank which receives the deposit.

Check Record. On page 98 is given a form for keeping a record of the deposits and the checks in the check book in these sets. In the check book are *blank* pages for the keeping of this record.

Each deposit is entered when made, and each check when drawn; the balance may be extended daily, or as often as the cash is proved. By writing the balance directly opposite and to the right of the last check, the date of the check indicates the date of the balance.

Deposits				Checks							
Date		Amount		Date		Ck. No.	Amount		Balance	
Mar.	4	2000		Mar.	9	1	200			
	16	200			12	2	75		1725	
	31	596	70		17	3	112	50		
					23	4	500		1312	50
					31	5	30		1879	20

Checks. When the depositor wishes to withdraw money from the bank, he writes an order called a *check*. A *check book* is a book of blank checks furnished to the depositor by the bank. It consists usually of two parts, the stubs and the checks. The stub contains a memorandum of the check and is valuable for reference after the check has been detached, and for comparison when the check is returned canceled.

The illustration on page 99 shows one page of a check book, both the checks and the stubs having been filled out.

The proof of cash is necessary at stated times, and in proving cash the check book must be depended on to show the condition of the bank account. By keeping a total of the checks drawn and a total of the deposits made, the balance shown by the check book may be readily ascertained at any time.

Page 99 is an illustration of a common form of check book. It shows the transactions of a depositor, Charles H. Jones, with The Union Bank for two consecutive days.

Notice the manner of filling out the check; the important items of the check are reproduced on the stub.

Great care should be taken in the writing of each check. There should be no erasures of any kind in the check book.

The first figure in the amount of a check should be written close to the dollar sign; an amount in figures should be written as follows: $\$15\frac{40}{}$. The first word in writing the amount should begin at the head of the line, and cents should be expressed as a fraction of a dollar, as $\frac{25}{100}$; any other space on this line should be filled in with a waved or broken line.

It should be borne in mind that there are manifold ways of keeping a check book. The method outlined herewith is a simple one and well serves the need of the student in his work in business practice.

The *left*, or *reverse*, *stub* may be used for recording any memoranda that the depositor deems important.

Pass-Book Entries. *Deposits* should be entered in the pass book by the teller of the bank at the time the deposit is made. If at any time a deposit is made without the pass book, a duplicate deposit ticket should be obtained by the depositor.

No. 1

Date Jan. 5, 19—

To Jas. L. Benson

For on acct.

Amount, $ 135 60

Minneapolis, Minn., Jan. 5, 19— No. 1

The Union Bank

Pay to the order of James L. Benson $135 60/100

One hundred thirty-five 60/100 Dollars

Charles K. Jones

No. 2

Date Jan. 6, 19—

To H. F. Thompson

For on acct.

Amount, $ 275 80

Minneapolis, Minn., Jan. 6, 19— No. 2

The Union Bank

Pay to the order of H. F. Thompson $275 80/100

Two hundred seventy-five 80/100 Dollars

Charles K. Jones

MODEL SCRIPT CHECK BOOK

STATEMENT

(Student's name) _____ in account with

The UNION BANK

For the month of _____ 19___

Day	Checks		Deposits		Balance	
			Balance brought forward			
			Total Deposits for Month			
			Total Credits			
			Total Checks			
			Balance			

MONTHLY BANK STATEMENT BLANK

Different banks use different methods for keeping records in a pass book. All deposits may be entered in it; at the end of the month the checks are totaled on an adding machine, the amount carried to the pass book, and the balance shown.

However, it is more common, at least in large banks, to record deposits in a pass book, and at the end of each month all deposits and all checks, itemized or in total, are entered on a slip or on an envelope, and the balance shown as a monthly statement. This statement, together with all canceled checks, is given to the depositor and constitutes a statement of his dealings with the bank for a given month.

In this text, in business practice, all deposits will be entered in the pass book at the time they are made.

Monthly Bank Statements. In the package of business forms, a sheet is provided for each month on which a monthly statement of the bank account should be made.

In the box of business forms is an envelope on which is printed:

The UNION BANK.

Statement for the month of _____ 19__

_____ Student

In this envelope when it is returned to the student will be found the sheet containing a record of the deposits and the checks, and the bank balance for the month named. The canceled checks are also included in this envelope.

The deposits in the pass book may be totaled and the checks, in total, subtracted therefrom, thus showing the balance in the pass book.

Exercise 32. Transactions with a Bank

For Written Work

Directions. Make the following blank forms: rule lengthwise two sheets of paper about 5×8 inches; rule on each of these sheets two checks and two stubs, representing a page of a check book. Follow the model on page 99.

On another sheet of paper rule a form like the one given on page 98, — the form for keeping the record of deposits and checks, and the balance. On this sheet keep a record of the following deposits and checks. Enter the balance, in the *Balance* column, after writing each second check.

1. Under date of March 1, enter a deposit of $1500.

2. Under date of March 9, write a check for $250, in favor of Henry S. Lee, No. 1.

Fill out the stub first and then write the check.

If one first writes the check, he is quite likely to omit the filling out of the stub, and the stub is the only record of the check, in detail, after it has been detached by the maker.

3. Under date of March 13, enter a deposit of $150.

4. Under date of March 16, write a check for $137.50, in favor of Wm. G. Howe, No. 2.

Remember to fill out the stub first.

5. Under date of March 19, write a check for $100, in favor of E. T. Perry.

6. Under date of March 23, enter a deposit of $75.

7. Under date of March 30, write a check for $28.40, in favor of Amos H. Wells.

8. Under date of March 31, enter a deposit of $120.

9. Under date of March 31, write a check for $50, in favor of John D. Rockwell.

10. What balance now remains in the bank?

SUGGESTION. This exercise may be continued at the discretion of the instructor.

BUSINESS FORMS

The Receipt. Study every detail of the following model receipt:

Boston, Mass., Jan. 9, 19—

Received of Frank C. Bliss

Two hundred 75/100 Dollars

on account

$200.75 Clark & Simpson

The Invoice. The following model shows how an invoice should be made out. The terms are *on account*, 60 da., therefore it is not receipted.

New York, June 1, 19—

Messrs. Clark & Smith

Springfield, Mass.

To Endicott & Bush Dr.

Terms 60 da.

	2	casks T. Prunes	78.75	157	50		
	10	bags P. Tapioca	7.12½	71	25		
	5	" Pepper	18.	90	—		
	5	bbl. P. P. Prunes	16.66⅔	83	33	402	08

In this invoice who is the buyer? the seller? What is meant by *terms 60 da.*? Note that the dollar sign is not used in writing either the prices or the extensions.

Filing Invoices. For convenience in handling, invoices may be folded lengthwise with the printed matter outward.

The invoice may be folded lengthwise, the printed matter within; on the left end write the name of the seller, the amount in figures, and the date. The filing should be in the order of the dates.

These suggestions are simply for the students in the classroom.

The Promissory Note. Study all the details of this model note:

$216.50 Denver, Colo., May 14, 19—

Ninety days after date I promise to pay to the order of Arthur T. Young

Two hundred sixteen 50/100 Dollars

at Second National Bank

Value received

No. 19 Due 8/12/19— Samuel A. Long

Promissory notes are of two kinds: notes that we give, *Notes Payable*; notes that we receive, *Notes Receivable*. They are always in writing,—a written promise to pay money. They are usually given or received on account, or when money is borrowed or loaned.

Negotiable instruments are written contract obligations which can be transferred from hand to hand like money. They must be payable *to order* or *to bearer*. Nonnegotiable instruments cannot be transferred by indorsement and delivery.

For a discussion of the different kinds of indorsement see pages 118–119.

The giving or the receiving of a note for a personal account is merely the substitution of a written promise for an oral promise.

The holder of a note may sell it to a bank, and thus secure cash to use in his business.

If a note is sold before maturity, a *discount* is usually made.

If a note is to bear interest, it must be so stated in the note.

Exercise 33. Business Forms

For Written Work

I. Receipts

Write the following receipts on slips of paper properly ruled:

1. S. T. Wade owes you $56.75, and pays the whole amount.

The receipt bears these words: *in full of account.*

2. R. O. Warner owes you $120.50, and pays you $75.

The receipt bears these words: *to apply on account.*

3. You owe John Wheeler $102.50, and pay it all.

4. You owe J. H. Leaman $62.50, and pay him $35.

5. You pay J. K. Lamson, in full, the account at the bottom of page 23.

II Invoices

Rule two sheets of paper according to the model, and write the following invoices:

1. Set I, page 60, under the dates of *Jan. 4* and *6*.

2. Set II, page 76, under the dates of *Feb. 6* and *9*.

III Promissory Notes

Write the following notes on slips of paper, using the current date:

1. Gave Henry A. Morton your note, at 60 da., with interest, payable at the First National Bank, $250.

2. Received of Henry S. Mercer his note, at 30 da., payable at The Union Bank, $128.50.

3. Gave Wilson & Brown your note, at 2 mo., payable at your office, $175.20.

4. Received of A. D. Rose & Son their note, at 1 mo., with interest, payable at their office, $200.

DAILY CASH PROOF

Name _____

Date _____

Cash received per cashbook, total	5760 40
Cash paid per cashbook, total	1300.00
Balance per cashbook	4460 40
Cash on hand per cash drawer	400.00
Cash in bank per check book	4060.40
Total	4460.40

MODEL FOR DAILY CASH PROOF

Daily Cash Proof. In the following sets the student will use representative money in carrying out his business transactions. At the close of *each* day's business cash should be proved.

How to prove cash:

1. The left side of the cashbook shows all cash received.

2. The right side of the cashbook shows all cash paid out.

3. The difference shows the amount of cash the business has on hand.

4. The sum of money in the cash drawer added to the amount on deposit in the bank should equal the difference shown by the cashbook.

5. If no bank account is kept, the cash in the drawer should equal the difference shown by the cashbook.

6. If all money is in the bank, the true bank balance should equal the balance shown by the check book less any checks that may be outstanding.[1]

It is suggested that the form of proof shown in the illustration on page 104 be used.

To find Errors in the Trial Balance. If the debit and the credit items are not equal (that is, do not balance), observe the following suggestions in tracing the error:

1. Go over all additions, both in the trial balance and in the ledger.

2. Find the exact amount of the error; if *ten* or some *power of ten*, the error is usually in addition.

3. If the amount of the error is exactly the same as some amount in a book of original entry, the error is likely to be with that amount.

4. Divide the amount of the error in the trial balance by 2, and look for an amount corresponding to this result. If a debit item has been posted to the credit, it will cause an error equal to twice the amount of the item thus posted.

5. If the amount of the error is divisible by 9, the error is probably the result of the transposition of figures.

6. If necessary, recheck the posting to determine if that work was done correctly. (This manner of rechecking is described on page 23.) Rechecking involves a great deal of extra work; it should be undertaken only as a last expedient.

A trial balance that balances is not absolute proof that the ledger is correct. If a credit of *Notes Receivable* were posted to the credit of *Cash*, it would not affect the trial balance.

[1] **Reconciliation of Check Book Balance and Bank Balance.** Each month the check book balance should be reconciled with the bank balance as evidenced by the monthly bank statement or the bank pass book balance. The form of this bank reconciliation statement is as follows:

Balance, per bank statement		$800
Deduct checks outstanding:		
No. 182 M. B. Frey	$200	
No. 185 L. B. Chapman	100	
No. 186 R. N. Roe	50	350
Balance, per check book		$450

NOTE. Frequently the number and the amount of each check are used and the name of the payee is omitted.

CHAPTER VII

SET III. GRAIN AND SEED BUSINESS

PRELIMINARY EXPLANATIONS

The *object* of this set is to give systematic drill in elementary business practice. *Student* is represented as the proprietor. Business forms are used, and all transactions in cash admit the handling of currency. An account is kept with the bank: deposits are made and checks are drawn. This set covers a period of two months, March and April, the books being closed at the end of each month.

The *books* used in this set are the journal, the cashbook, the sales book, the purchase book, the statement book, and the ledger.

All business forms handled are either *incoming papers* or *outgoing papers*. Incoming papers are those received from others; outgoing papers are those given to others. Incoming papers will be received and recorded by the student as in business, and he will issue and record all outgoing papers as in business.

Selling Price Lists. *Different* selling price lists may be used if desired. Twenty-five selling price lists are provided for this set (see below). When the instructor gives the student the necessary blank forms, he should assign him a price list. *Any one of the selling price lists may be used in connection with the buying price list.* In the box of business forms a card containing the selling price lists may be found.

SELLING PRICE LISTS

	1	2	3	4	5	6	7	8	9	10	11
Barley	1.	1.05	1.08	1.10	1.04	1.02	1.07	1.09	1.10	1.12	1.08
Clover Seed	8.80	9.	8.75	8.80	8.90	8.95	9.02	9.10	9.05	8.85	8.95
Dwarf Beans	8.	8.25	8.10	8.20	8.05	8.30	8.35	8.40	8.45	8.10	8.13
Field Corn	.75	.74	.76	.80	.84	.79	.81	.83	.82	.80	.78
Garden Corn	3.80	3.85	3.90	3.95	3.75	3.82	3.86	3.98	4.	3.82	3.92
Oats	.58	.60	.59	.61	.63	.62	.65	.66	.60	.57	.64
Rye	1.30	1.40	1.35	1.28	1.31	1.33	1.34	1.40	1.37	1.26	1.33
Timothy Seed	3.40	3.45	3.50	3.35	3.42	3.47	3.35	3.38	3.40	3.36	3.42
Wheat	1.30	1.28	1.25	1.32	1.35	1.27	1.29	1.33	1.31	1.26	1.34

Buying Price List. In Set III all merchandise is to be bought at the following prices per bushel:

BUYING PRICE LIST

Barley	Clover Seed	Dwarf Beans	Field Corn	Garden Corn
75¢	$6	$6	60¢	$3

Oats	Rye	Timothy Seed	Wheat
48¢	$1	$2.50	$1

Blank Business Forms. Ask the instructor for "Blank Business Forms, Box No. 1," before proceeding to write Set III.

WORK FOR MARCH

Incoming Business Forms for March. These incoming forms are included in the text for the following reasons:

1. All material in any given set is included in the text proper, in order that the textbook may be complete in itself.

2. The student is able to make a study of the work of the set before attempting to write it; this is especially important.

3. By having all matter included in the text, extended and varied reviews are made possible.

A tablet, separate from the text, containing all the incoming business forms shown in the list on the following page is available for use with this set when business practice is used.[1]

All incoming checks are drawn on Traders National Bank.

[1] See under Opening the Set, paragraph 4, page 109.

FOR MARCH AND APRIL

12	13	14	15	16	17	18	19	20	21	22	23	24	25
1.09	1.05	1.11	1.10	1.04	1.08	1.06	1.09	1.07	1.10	1.05	1.09	1.10	1.04
8.98	8.80	9.05	9.12	8.93	8.86	8.85	8.92	8.91	8.80	8.88	9.04	8.79	9.
8.22	8.21	8.11	8.24	8.27	8.32	8.35	8.25	8.02	8.	8.15	8.20	8.25	8.30
.75	.77	.84	.85	.82	.79	.83	.81	.78	.83	.80	.79	.75	.78
3.95	3.90	3.88	3.76	3.85	3.88	4.	3.95	3.97	3.80	3.85	3.90	3.95	3.92
.60	.57	.59	.63	.66	.61	.65	.62	.68	.58	.62	.66	.63	.61
1.32	1.25	1.29	1.30	1.38	1.34	1.30	1.29	1.28	1.25	1.30	1.35	1.28	1.32
3.50	3.45	3.33	3.37	3.41	3.44	3.33	3.39	3.34	3.35	3.40	3.45	3.50	3.52
1.28	1.30	1.31	1.32	1.35	1.27	1.34	1.33	1.35	1.25	1.30	1.32	1.36	1.29

If business practice is not used, the tablet of incoming forms and the box of blank business forms will not be needed.

Form 1. Invoice of E. C. Ferry, City, March 2. Terms: cash.

50 bu. Clover Seed — 100 bu. Field Corn
100 bu. Oats

Form 2. Invoice of S. D. Welch, City, March 5. Terms: on account.

20 bu. Dwarf Beans — 40 bu. Garden Corn
100 bu. Barley — 100 bu. Wheat

Form 3. Receipt of Amos Graves, March 7, in your favor, for rent of the store for March, $35.

Form 4. Bill of David Ross for office books and stationery, March 8.

Office Books, $8.50 — Stationery, $4

Form 5. Invoice of Henry Bruce, City, March 10. Terms: on account.

100 bu. Rye — 50 bu. Timothy Seed

Form 6. Bill of I. N. Moss, City, for 2 T. coal at $5.20, March 11. Terms: cash.

Form 7. Bill of A. C. Webb, City, for office safe, $75, March 12. Terms: cash.

Form 8. Invoice of Haynes & Co., City, March 14. Terms: on account.

30 bu. Dwarf Beans — 100 bu. Rye
200 bu. Field Corn — 200 bu. Wheat
100 bu. Barley

Form 9. Check of Boyd & Co., City, for $200, in your favor, March 23.

Form 10. Invoice of S. D. Welch, City, March 24. Terms: on account.

10 bu. Dwarf Beans — 100 bu. Barley
100 bu. Field Corn — 100 bu. Oats
20 bu. Garden Corn

Form 11. Invoice of Henry Bruce, City, March 25. Terms: on account.

100 bu. Rye — 200 bu. Wheat

Form 12. Note of Jesse Watson, City, for $250, in your favor, at 30 da., with interest, March 29.

Form 13. Check of John Wells, City, for $100, in your favor, March 29.

Form 14. Check of Oscar Wilson, City, for $330.50, in your favor, March 31.

Opening the Set. This set may be written in any of the following ways:

1. Simply record the transactions as in the preceding sets.

Unless otherwise instructed, keep the cashbook on a sheet of journal paper and copy at the close of the month. All other work may be recorded directly in the required books.

2. In addition to recording the transactions, all business forms may be used.

3. In addition to recording the transactions, using the forms, etc., all the business called for may be done, such business to be transacted according to the directions of the instructor.

The memoranda and all directions are given, so that complete business practice may be used if desired.

4. If the tablet of incoming business forms is not used, make out the forms on page 108 and file them in the envelope for *incoming papers* before beginning Set III, and use them instead of the tablet.

Prove the cash at the close of each day. (See model, page 104.)

MEMORANDA OF TRANSACTIONS FOR MARCH

March 1. Student begins the Grain and Seed business, investing cash, $2400.

Place the above memorandum in the journal, *but make no journal entry.* Make the proper entry in the cashbook. Receive the currency from the instructor and put it in the *Business Cash* envelope.

1. You have entered into an agreement with Amos Graves for the rental of his store, 120 Main St., at $35 per month.

No entry is required. A memorandum of this agreement may be made and filed with the incoming papers.

2. Buy of E. C. Ferry, City, for cash, merchandise as per the following invoice, Form 1.

Omaha, Nebr., Mar. 2, 19—

Mr. George A. Harris

120 Main St., City

To E. C. Ferry Dr.

Terms cash

50	bu. clover seed	6.00	300	—	✓	
100	" Field corn	60¢	60	—	✓	
100	" Oats	48¢	48	—	✓ 408	✓ —

Remove this invoice from the tablet of incoming papers. Note the extensions and the addition.

In business the goods received are compared with the invoice, and if found to be correct, check marks are placed at the *left*, as shown in the script illustration on page 109; then the extensions and the addition are verified and checked as shown at the *right*. Verify the extensions and the addition.

Make the proper entries in the cashbook and the purchase book.

In the purchase book, write the name, the address, the terms, and the amount on *one* line. Pay for the invoice.

In the box of business forms there is a filing envelope for invoices of merchandise purchased. Place the invoice in this envelope.

If business practice is not used, fold the invoice once lengthwise, face outward, and place it in the *Paid Bills* envelope.

March 3. Sell John Williams, City, for cash, at the prices given herewith:

20 bu. Clover Seed at $8 50 bu. Field Corn at 75¢
40 bu. Oats at 60¢

Make out an invoice and receipt it. If correct in every detail, record it in the sales book and the cashbook. Do not put any check marks on any bill of goods that you *sell*. Receive the cash and place it in the *Business Cash* envelope.

Pass the bill to the office, or dispose of it according to directions received.

Take great pains in counting all cash.

4. Deposit in The Union Bank cash, $1800.

Read pages 96–98 for instructions.

Make out a deposit ticket. Record the amount in the check book.

Place the currency and the deposit ticket in the pass book and hand it to the bank.

5. Buy of S. D. Welch, City, on account, merchandise as per invoice, Form 2.

Remove the invoice from the tablet. Check the extensions and the footing.

Record it in the purchase book. File this invoice in the proper envelope. Do not receipt this invoice. Why?

6. Sell John Wells, City, on account:

5 bu. Dwarf Beans 20 bu. Garden Corn
50 bu. Barley

Write the invoice, but do not receipt it. Why? Use the selling prices of the list assigned to you. Record in the sales book. Refer to the model, page 90. Dispose of the invoice according to directions received.

7. Pay Amos Graves cash, for rent of the store for March, $35, Form 3.

Remove this receipt. Make the entry in the cashbook. Pay the money. Place the receipt in the *Paid Bills* envelope.

March 8. Pay David Ross cash, for office books and stationery, $12.50, Form 4.

Examine and check the bill. If correct, pay it. Make the entry in the cashbook Fold the bill and file it in the *Paid Bills* envelope.

9. Give S. D. Welch your check, to apply on account, $200.

Fill out the stub in the check book, No. 1. (See model script check book, page 99.) Write the check and detach it. Make the entry in the cashbook.

A receipt need not be taken when an amount is paid by check, as the canceled check will be returned as a receipt. However, a receipt may be taken if desired.

In the package of business forms there is a sheet for keeping a record of your dealings with the bank for one month.

If the checks are passed to an office, this sheet should be left at the office. The form and the use of this sheet are illustrated and explained on page 100. Place the student's name on the sheet. As checks are received they may be recorded thereon.

If the checks are kept by the student at his desk, he may keep the sheet and do this work himself. At the end of the month the sheet and the checks will be placed in the bank envelope.

10. Buy of Henry Bruce, City, on account, merchandise as per invoice, Form 5.

Remove this invoice from the tablet. Examine and check as previously instructed. Enter in the purchase book. File the invoice.

11. Pay the bill of I. N. Moss in cash for 2 T. coal at $5.20, Form 6.

Remove the bill from the tablet. Examine and check it. If correct, pay it.

12. Pay the bill of A. C. Webb, by check, for office safe, $75, Form 7.

Debit *Office Furniture.*

13. Receive of John Wells cash, to apply on account, $100.

Write a receipt in favor of John Wells and receive the currency. Make the cashbook entry. Place the money in the *Business Cash* envelope.

14. Buy of Haynes & Co., City, on account, merchandise as per invoice, Form 8.

Examine and check the invoice, and then proceed as usual.

15. Sell Boyd & Co., City, on account:

100 bu. Field Corn	50 bu. Rye
100 bu. Barley	10 bu. Dwarf Beans

Write the invoice and record it in the sales book.

16. Deposit currency, $200.

Make out the deposit ticket. Record it in the check book.

Place the currency and the ticket in the pass book and hand it to the bank.

March 17. Pay Henry Bruce by check, to apply on account, $112.50.

Write the check and make the entry in the cashbook. How do you dispose of the check?

18. Sell Howard Young, City, on account, at the prices given herewith:

20 bu. Clover Seed at $8 10 bu. Timothy Seed at $3.40

19. Sell Jesse Watson, City, on account, at the price given herewith:

200 bu. Wheat at $1.25

23. Receive of Boyd & Co. their check, on account, $200, Form 9.

Remove the check and enter it in the cashbook. Place the check in the *Business Cash* envelope.

23. Pay Haynes & Co. by check, to apply on account, $500.

24. Buy of S. D. Welch, City, on account, merchandise as per invoice, Form 10.

Examine and check it.

25. Buy of Henry Bruce, City, on account, merchandise as per invoice, Form 11.

26. Sell John Wells, City, on account:

50 bu. Rye 150 bu. Wheat

27. Give S. D. Welch your note at 15 da., to apply on account, $100.

Write the note, payable at *my office*. The note which you write will be similar to the script form given below. The signature to this note will be the student's own name.

Make the entry in the journal. Dispose of the note according to directions received.

$100.00 Nashville, Tenn., Mar. 27, 19—

Fifteen days after date I promise to pay to

the order of S. D. Welch

One hundred 00/100 Dollars

at my office

Value received

No. 1 Due 4/11/19— Henry L. James

28. Sell Boyd & Co., City, on account:

100 bu. Wheat 10 bu. Clover Seed

5 bu. Dwarf Beans 10 bu. Garden Corn

March 29. Receive of Jesse Watson his note at 30 da., in full of account, Form 12.

Remove the note from the tablet. Make the journal entry. Place the note in the *Unpaid Bills* envelope.

29. Receive of John Wells his check, on account, $100, Form 13.

Place the check in the *Business Cash* envelope.

31. Sell Oscar Wilson, City, for cash, at the prices given herewith, receiving in payment his check, Form 14.

50 bu. Field Corn at 75¢	100 bu. Oats at 60¢
10 bu. Garden Corn at $3.80	150 bu. Rye at $1.30

Write the invoice and receipt it. Record it in the sales book and the cashbook. Remove the check and place it in the *Business Cash* envelope.

31. *Student* takes from the business for his monthly salary, $50.

Take $50 in currency from the *Business Cash* envelope and place it in the envelope for *Personal Cash.*

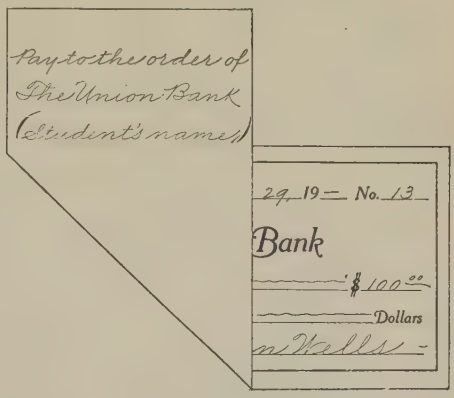
31. Deposit the three checks and all the currency on hand.

Take the currency and the checks from the *Business Cash* envelope; count the currency and make out the deposit ticket.

Indorse each check, as shown in the accompanying illustration.

The *full indorsement,* shown in the accompanying illustration, is the one most commonly used in business, and some banks and the clearing houses insist that this form must be used.

The *blank indorsement* is simply the writing of one's name on the back of the paper. (See page 118.)



Place the currency and the checks in the pass book and hand it to the bank. When the pass book is returned, examine it to see that all is entered correctly.

31. Give Henry T. Dale, your clerk, a check for his salary, $30.

Monthly Bank Statement. At this point the monthly bank statement should be made. Proceed as follows:

Enter all deposits and all checks on the statement sheet. Refer to the model on page 100. Total both the deposits and the checks and find the balance. Place the checks and the statement sheet in the envelope.

If the deposits and the checks have been passed to an office, these instructions should be followed by the one in charge of that work; if not, the student may make the statement himself.

Total the deposits in the pass book, subtract the total checks, enter the balance, rule, and foot. Bring the balance down under April 1.

Before closing the books hand them to the instructor for approval.

Inventories. Record the following inventories on a sheet of journal paper, and file for future reference:

Inventories, March 31, 19—

Merchandise:

150 bu. Barley	60 bu. Oats
40 bu. Dwarf Beans	50 bu. Rye
200 bu. Field Corn	40 bu. Timothy Seed
20 bu. Garden Corn	50 bu. Wheat

Office Supplies:

Office Books	$8.	
Office Supplies	2.75	$10.75
Office Furniture, at cost		75.

Fuel:

Coal on hand	6.40

Closing the Work for March. Close each of the following: the cash-book, the purchase book, and the sales book. Refer to pages 89–91.

Open accounts in the ledger, four accounts to the page, in the following order; begin on the page indicated by the index:

Cash
Notes Receivable
Accounts Receivable:[1]
  John Williams
  John Wells
  Boyd & Co.
  Howard Young
  Jesse Watson
  Oscar Wilson
  P. H. Morse
  F. G. Morgan
  Johnson & Pease
Merchandise Inventory
Office Furniture
Notes Payable
Accounts Payable:[1]
  E. C. Ferry
  S. D. Welch
  Henry Bruce
  Haynes & Co.
  C. V. Cronin
  Smith & Bowers
Student, Prop.
Profit and Loss
Sundry Expense Inventory
Merchandise Sales
Interest Earned
Merchandise Purchases
Rent Paid
Office Supplies
Fuel
Salaries
Interest Paid

NOTE. The *Interest Earned* account will not be used until April.

[1] Do not open an account with *Accounts Receivable* nor *Accounts Payable*.

1. Post from the journal, writing *J.* in the explanatory column of the ledger.

2. Post from the cashbook, writing *C.B.* in the explanatory column of the ledger.

3. Post from the purchase book, writing *P.B.* in the explanatory column of the ledger.

4. Post from the sales book, writing *S.B.* in the explanatory column of the ledger.

Foot the ledger accounts.

Take a trial balance; have it approved, and then record it in Blank No. 1, on the page indicated by the index.

Make the statements; after approval record them in Blank No. 1, on the page indicated by the index.

Close the ledger. Make the necessary journal entries and postings.

Take a second trial balance.

Submit all work to the instructor for approval.

When the monthly statement of your bank account has been completed, compare each check with the stub in the check book; if they agree, put a large check mark on the stub. This check mark shows that the check issued has been returned canceled.

Does the balance of your monthly bank statement agree with the balance shown in your check book?

Exercise 34. Review

For Written Work

1. Journalize orally or in writing each transaction in March.

It is suggested that the amounts be omitted.

2. Use Exercise 25, I and II, for closing the ledger.

After the amounts have been transferred to a ledger sheet do not refer to the text when closing the ledger.

3. Make a study of your bank account and answer the following questions:

a. What items are recorded in your pass book?

b. When a deposit consists of both currency and checks, how is it properly made up?

c. Describe briefly the manner of keeping a record of deposits and checks in the check book.

d. How would you prove cash if no bank account were kept?

e. How would you prove cash when you keep a bank account?

f. Name six important things to be observed in the writing of a check.

Exercise 35. Review

For Written Work

Make the statements from each of the following trial balances. Date each statement March 31, 19—.

1.

Cash	$682.50	
Notes Receivable	399.90	
Henry Wilson	207.65	
Landis & Co.	214.10	
Mdse. Inventory	900.	
Office Furniture	96.40	
Notes Payable		$100.
Sullivan & Co.		45.20
West & Son		101.05
John S. Albert, Prop.		2200.
Mdse. Sales		1933.20
Interest Earned		8.65
Mdse. Purchases	1702.20	
Office Supplies	22.50	
Rent Paid	37.50	
Salaries	110.	
Interest Paid	15.35	
	$4388.10	$4388.10

Inventories, March 31:

Merchandise	$1086.80
Office Furniture	96.40
Office Supplies	10.75

2.

Cash	$456.30	
Notes Receivable	226.75	
Ferry & Lake	276.85	
Nelson & Son	392.10	
Mdse. Inventory	500.	
Weller & Co.		$94.25
Lee & Price		105.50
Warren D. Mason, Prop.		1800.
Mdse. Sales		1655.10
Interest Earned		16.60
Mdse. Purchases	1772.50	
Fuel	35.50	
Interest Paid	11.45	
	$3671.45	$3671.45

Inventories, March 31:

Merchandise	$898.65
Fuel	10.50

Exercise 36. Problems

For Written Work

1. Use one sheet (two pages) of ledger paper. Refer to Exercise 35; open an account with the Proprietor and each profit or loss account that is found in problem 1, allow six lines for each account. Make the necessary entries and postings to close the ledger.

The inventories are to be found just below the trial balance.

2. In Exercise 35, analyze each debit and each credit in trial balances 1 and 2.

3. Each student is to use his own ledger for the month of March, in the following exercises:

a. Analyze each open ledger account.

b. Analyze each profit or loss account before it was closed.

c. Analyze each profit or loss account after it was closed.

4. Each student is to use his own cashbook for the month of March, in answering the following:

a. Tell why each name under *Cash Received* represents a credit.

b. Why is the *total* cash received a debit?

c. Tell why each name under *Cash Paid* represents a debit.

d. Why is the *total* cash paid a credit?

5. Give the journal entry for each entry under *Cash Received.*

6. Give the journal entry for each entry under *Cash Paid.*

7. Give the journal entry for each entry in the sales book.

8. Give the journal entry for each entry in the purchase book.

Drill work like the above clearly established the fact that all entries, no matter in what book the entry may be made, are expressed and recorded as debits and credits.

CHAPTER VIII

INDORSEMENTS AND INTEREST

Indorsements. An *indorsement* is the writing of one's name on the back of commercial paper with the intent to transfer the title or to assume legal responsibility for its payment.

Sometimes a payment of interest, or a partial payment of the face, is recorded on the back of an instrument.

The *object* of indorsement is to effect a transfer of the title, or to make the indorser conditionally liable for payment, or both.

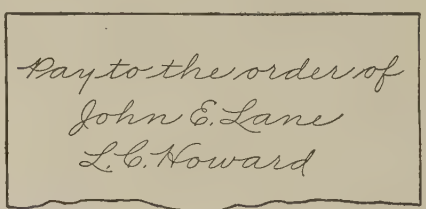
Indorsements are made by using a rubber stamp or by writing.

When the signature is the name of a firm, the name or the initials of the person writing the signature may be written just underneath, as follows:

Brown, Smith & Co.
per J. E. Brown

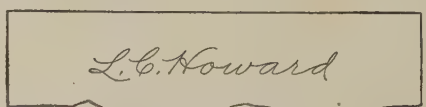
The indorsements most commonly used are the *special*, or *full*, the *blank*, the *qualified*, and the *restrictive*.

A special, or full, indorsement names the indorsee; the instrument could not again be negotiated without the indorsee's indorsement.



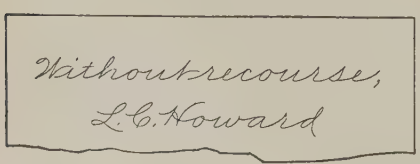
SPECIAL, OR FULL, INDORSEMENT

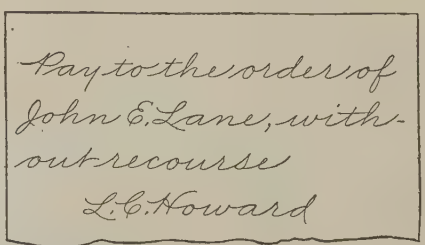
A blank indorsement names no indorsee. Any holder may, however, convert this into a special indorsement by writing "Pay to (*his name*) or order" above the blank indorsement.



BLANK INDORSEMENT

A qualified indorsement simply passes the title without rendering



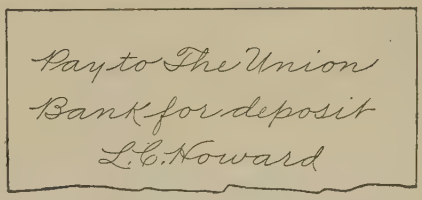


QUALIFIED INDORSEMENTS

the indorser liable. In form, this indorsement may be either in blank or special. This indorsement is not often used.

A restrictive indorsement constitutes the indorsee an agent of the indorser, usually for the collection of the paper by a bank.

This form of indorsement is not commended by banks and clearing houses.



RESTRICTIVE INDORSEMENT

Note the indorsement on page 113. All commercial paper offered for deposit at a bank must be indorsed, and the special, or full, indorsement is most commonly used.

This form is a protection to the lawful holder because the payee is named, and payment will be made only on his order, by indorsement.

If a check or a note bearing a special indorsement is lost or stolen, it is valueless to the holder.

When one has a check cashed at the bank, the blank indorsement may be used, as the check will be canceled as soon as cashed.

As the qualified indorsement relieves the indorser of responsibility for payment, commercial paper bearing this indorsement should be accepted with great caution.

Interest. The rate of interest allowed by law is called the *legal rate*. Persons may agree to pay less than this rate, but not more, unless a higher rate by special agreement is permitted by statute. If an agreement for the payment of interest specifies no rate, the legal rate in the state where the contract is signed will be understood.

In the *commercial world* 12 mo. of 30 da. each — 360 da. — are reckoned as 1 yr. In bank discount the exact number of days is used.

Throughout the business practice employed in this text the rate will be 6%, based on the commercial year of 360 da.

This method is not exact, but it is the most common because the most convenient. It has been legalized by statute in some states and is generally used in all the states.

A great variety of methods is employed to compute interest and discount, but it is suggested that the student use the *day method* as follows: Point off to the left three decimal places in the principal, multiply by the number of days, and then divide by 6. Cancel when possible.

ILLUSTRATION. What is the interest on \$146.50 for 50 da. at 6%?

Solution: $.1465 \times 50 = 7.325$.

$7.325 \div 6 = 1.22$, or \$1.22, the required interest.

The *maturity* of negotiable paper is determined as follows: when the time is expressed in months, *calendar months* are used to fix the date of maturity; but when the time is expressed in days, the *exact number of days* is used.

ILLUSTRATION. A note dated Jan. 28, 29, 30, or 31, at 1 mo., will mature on Feb. 28 (leap years excepted); but a note with any of the dates just noted, at 30 da., will mature on Feb. 27, 28, March 1, or 2, respectively.

Exercise 37. Interest Entries

For Written Work

Enter the following transactions, using a sheet of journal paper for the cashbook; balance and rule the cashbook.

SUGGESTION. This exercise is not a set, but a series of illustrations. It may be used first as an oral exercise.

May 1. *Student* begins business and invests cash, $1600.

2. Give Henry A. Dunton a check for your note, which falls due to-day, $172.50.

4. Receive a check from Henry A. Gray for his note, which is due to-day, $235.20.

6. Pay your note and interest, due to-day, in favor of H. H. James, in cash. Face of the note, $325; interest, $11.50.

8. Receive of Hale & Son their check for their note and interest, due to-day. Face of the note, $220.35; interest, $7.75.

9. Receive a check from W. K. Marsh for his note, which is due to-day. Face of the note, $300.

10. Pay your note and the interest, due to-day, in favor of Geo. R. Cushing. Face of the note, $400; interest for 30 da.

11. Receive a check from Johnson & Co. for their note, due to-day. Face of the note, $256.25.

15. Pay your note and the interest, due to-day, in favor of E. R. Sterling. Face of the note, $222.40; interest for 60 da.

20. Receive a check from T. T. Munger for his note and the interest, due to-day. Face of the note, $257.80; interest for 60 da.

25. Make an additional investment in the business in cash, $750.

CHAPTER IX

SET III. GRAIN AND SEED BUSINESS (CONTINUED)

WORK FOR APRIL

The memoranda following are a continuation of the memoranda for March. No new principles are introduced, and the familiar business forms are used. As such full and explicit instructions were given in March, much explanatory matter will be omitted in April. If anything is not understood, refer to a similar transaction in the preceding month.

Incoming Business Forms for April. The following list of forms is a continuation of the list for March:

Form 15. Invoice of Henry Bruce, City, April 6. Terms: on account.

50 bu. Clover Seed — 300 bu. Oats
50 bu. Garden Corn — 100 bu. Barley

Form 16. Invoice of S. D. Welch, City, April 9. Terms: on account.

200 bu. Field Corn — 100 bu. Rye
200 bu. Wheat

Form 17. Invoice of C. V. Cronin, City, April 11. Terms: cash.

50 bu. Timothy Seed

Form 18. Note of Boyd & Co., City, for $100, in your favor, at 10 da., April 14.

Form 19. Check of Howard Young, City, for $193, in your favor, April 15.

Form 20. Check of Boyd & Co., City, for $165, in your favor, April 23.

Form 21. Check of Boyd & Co., City, for $100, in your favor, April 24.

Form 22. Invoice of Smith & Bowers, City, April 25. Terms: cash.

20 bu. Dwarf Beans — 200 bu. Field Corn
50 bu. Garden Corn

Form 23. Check of Jesse Watson, City, for $175, in your favor, April 27.

Form 24. Check of Jesse Watson, City, for $251.25, in your favor, April 28.

Form 25. Check of Howard Young, City, for $125, in your favor, April 29.

Opening the Work for April. The following general directions should be observed:

1. Use the same price list, the same books, etc., as in March.

2. Begin a new page in the journal. In the sales book, begin a new page for April.

3. The balance brought down from the cash account, under April 1, is to be reckoned with the cash receipts in April. Use a new sheet for the bank account. Record the balance at the head of the deposit column.

MEMORANDA OF TRANSACTIONS FOR APRIL

April 1. Give Amos Graves your check for the rent of the store for April, $35.

1. Give Henry Bruce your check in full of account.

Turn to Henry Bruce's account in the ledger and find the balance of his account; write the check for this amount.

3. Receive of Howard Young cash in full of account.

Turn to Howard Young's account in the ledger and verify the balance. Write the receipt and get the money. Enter it in the cashbook.

6. Buy of Henry Bruce, City, on account, merchandise as per invoice, Form 15.

7. Sell Howard Young, City, on account, at the prices given herewith:

100 bu. Field Corn at 75¢ 50 bu. Barley at $1
20 bu. Timothy Seed at $3.40

9. Give S. D. Welch your check, to apply on account, for $200.

9. Buy of S. D. Welch, City, on account, merchandise as per invoice, Form 16.

10. Sell Boyd & Co., City, on account:

30 bu. Garden Corn 20 bu. Clover Seed
100 bu. Oats

11. Buy of C. V. Cronin, City, for cash, merchandise as per invoice, Form 17.

Write a check in payment.

11. The note in favor of S. D. Welch falls due to-day; pay it by check.

Write the check. Pass it in and receive the canceled note. The note will be canceled by writing across the face *Paid April 11, 19—*, and the name of the payee. Make the entry in the cashbook. What account is debited in the cashbook? Place the canceled note in the *Paid Bills* envelope.

12. Sell P. H. Morse, City:

20 bu. Timothy Seed 100 bu. Field Corn
100 bu. Wheat

Receive cash, $125; balance on account.

Write the bill. Terms: cash, $125; balance on account. Enter the entire bill in the sales book, and the cash received in the cashbook as a receipt *on account*. Record the amount of the cash on the bill and receive the money.

April 13. Give Henry Bruce your note at 15 da., with interest, to apply on account, for $200, payable at *his office*.

14. Receive of Boyd & Co. their note at 10 da., to apply on account, for $100, Form 18.

Place the note in the *Unpaid Bills* envelope.

15. Sell Jesse Watson, City, on account:

20 bu. Dwarf Beans	50 bu. Rye
50 bu. Barley	10 bu. Timothy Seed

15. Receive of Howard Young his check for invoice of *April 7*, Form 19.

17. Deposit the check and all currency on hand except $25.

18. Give S. D. Welch your check in full for the invoice of *April 9*.

Verify the amount by referring to the purchase book.

19. Sell Howard Young, City, on account, at the price given herewith:

100 bu. Wheat at $1.25

20. Sell F. G. Morgan, City, for cash, at the prices named herewith:

10 bu. Clover Seed at $8	10 bu. Timothy Seed at $3.40

Write a receipted bill and enter it in the sales book and the cashbook. Pass in the bill and receive the currency.

21. Sell Boyd & Co., City, on account:

30 bu. Timothy Seed	20 bu. Garden Corn
50 bu. Barley	40 bu. Rye

22. Sell John Wells, City, on account:

200 bu. Oats	50 bu. Barley

100 bu. Field Corn

23. Receive of Boyd & Co. their check, to apply on account, for $165, Form 20.

24. Receive of Boyd & Co. their check, in payment of their note due to-day, for $100, Form 21.

Enter the amount of the check in the cashbook. Under what name? Cancel the note and pass it in.

24. Deposit the two checks and all currency on hand.

Indorse the checks.

April 25. Buy of Smith & Bowers, City, for cash, merchandise as per invoice, Form 22.

Examine and check the invoice; if correct, pay it by check Enter in the purchase book and the cashbook.

Where is this invoice filed?

26. Sell Johnson & Pease, City, for cash, at the prices named herewith:

10 bu. Dwarf Beans at $8 100 bu. Field Corn at 75¢
25 bu. Garden Corn at $3.80

After entering the invoice in the required books receipt it, pass it in, and receive the currency.

How is this invoice receipted?

27. Receive of Jesse Watson his check, to apply on account, for $175, Form 23.

28. Give Henry Bruce your check for your note and the interest, due to-day. Face of the note, $200; interest, 50¢.

What two entries are made in the cashbook? Remember to cancel and file the note.

How is this note canceled?

28. Receive of Jesse Watson his check for note and interest due to-day, Form 24. Face of the note, $250; interest, $1.25.

What two entries are made in the cashbook? Cancel the note and pass it in.

What is the value of a canceled note?

29. Receive of Howard Young his check for the invoice of *April 19*, Form 25.

30. Give Henry T. Dale, your clerk, a check for his salary, $30.

30. The Proprietor takes from the business cash for his monthly salary, $50.

30. Deposit the checks and all currency on hand.

30. Withdraw by check the balance on deposit in The Union Bank.

This withdrawal is made as a matter of convenience in closing the set. The amount of the check is for the *balance* in the bank. Make the check payable to *Self* and pass it in. No entry is required.

Monthly Bank Statement. Proceed with your bank account as you did at the close of March.

What is the value of the monthly bank statement to the depositor at the close of each month?

Before closing the books hand them to the instructor for inspection and approval.

Inventories. Record the following inventories on a sheet of journal paper, at the cost price, and file for future reference:

Inventories, April 30, 19—

Merchandise:

50 bu. Barley	45 bu. Garden Corn
20 bu. Clover Seed	60 bu. Oats
30 bu. Dwarf Beans	60 bu. Rye
200 bu. Field Corn	50 bu. Wheat

Office Furniture:

Office Safe	$75.
Office Supplies	7.50

Closing the Set. After looking over the closing of each book in March, close the cashbook, the purchase book, and the sales book.

The careful bookkeeper checks his work *at every step*. Check all additions before writing the results in ink. A simple way to *check addition* is to add the columns in reverse order. If the results agree, the work may be assumed to be correct.

Post the books to the ledger. Post to the same accounts as in March.

Foot the ledger accounts.

Take a trial balance; after approval, record it in Blank No. 1, on the page indicated by the index.

Make the statements; after approval, record them in Blank No. 1, on the page indicated by the index.

Close the ledger. Make the necessary journal entries and postings.

Take a second trial balance.

Submit all work to the instructor for approval.

When your monthly bank statement has been completed, compare each check with the stub in the check book; if they agree, check the stub.

Exercise 38. Review

For Written Work

1. Journalize orally or in writing each transaction in Set III for April.

It is suggested that the amounts be omitted.

2. In the text, turn to Exercise 36; use your own ledger and analyze the work for April in the same manner as given in problems 3, 4, 5, 6, 7, and 8.

3. ***a.*** On a sheet of ledger paper copy the following ledger accounts, allowing eight lines for each account:

Merchandise Inventory

19—													
Apr.	1			1	825								

Student, Proprietor

							19—				1	2340	
							Apr.	1					

Merchandise Sales

							19—						
							Apr.	13			2	321	40
								18			3	450	
								24			4	257	80
								26			5	335	55
								30			6	421	35

Interest Earned

							19—						
							Apr.	17			3	7	85
								26			5	14	65

Merchandise Purchases

19—													
Apr.	11			2	453	25							
	16			3	745	20							
	20			3	352	45							
	25			4	551	90							

OFFICE SUPPLIES

19—																		
Apr.	11					2	9	50										
	16					3	11	25										
	23					4	10	25										

RENT PAID

19—																		
Apr.	4					1	45											

INTEREST PAID

19—																		
Apr.	13					2	8	75										
	22					3	13	35										

Inventories, April 30:

Merchandise	$1453.70
Office Supplies	11.25

b. Open the following accounts: *Profit and Loss, Merchandise Inventory,* and *Sundry Expense Inventory.*

c. Make the necessary entries and postings to close the above ledger.

4. Write from memory on blank paper, cut to the proper size, the following business forms:

a. A Receipted Bill. Jan. 17, C. H. Palmer, Trenton, N.J., bought of *Student* for cash, less 3%: 25 doz. table knives at $7.50, 15 doz. nail hammers at $9, 25 doz. safety locks at $4.50.

b. A Promissory Note. Jan. 20, *Student* gave James B. Stevens a 60-day interest-bearing promissory note payable at First National Bank. Face of the note, $125.

c. A Receipt. Jan. 22, Frank H. Jackson paid *Student* $127.85 in full for invoice of Jan. 12.

d. A Check. Jan. 25, *Student* gave William E. Hitchcock a check on Commonwealth Trust Company for $200.

CHAPTER X

SET IV. GENERAL HARDWARE BUSINESS

PRELIMINARY EXPLANATIONS.

The *object* of this set is to continue the work of Set III and to give more extended business practice. A partnership is introduced.

Partnership. A partnership is a contract relation between persons who combine their property, labor, or skill in a business, and who agree to share the profits and the losses jointly. The agreement may be verbal or written, preferably the latter.

The most usual clauses in the written articles of partnership are:

1. Name of the firm
2. Nature of the business
3. Place of business
4. Date of commencement and duration of partnership
5. Capital to be invested, and provisions for its withdrawal
6. Salaries to be paid to the partners
7. Interest on invested capital
8. Division of profit and loss
9. Provision for dissolution

The Cashbook. A cashbook slightly different in form from the one already used is introduced in Set IV. This form has three columns

Cash Received

		F.			Net Cash		Disc. on Sales		General	
May	1		*Student*, Investment		1000				1000	
	1		W. K. King, Investment		1000				1000	
	4		John M. Jones	Inv. 4/20, less 3%	97		3		100	
	9		Henry Upson	Inv. 5/2	85				85	
	20		David L. Wing	Inv. 5/6, less 2%	122	50	2	50	125	
					2304	50	5	50	2310	
					(1)		(4)			
June	1		Balance	On hand	1293	75			1293	75

LEFT-HAND PAGE OF CASHBOOK, SET IV

on each side, as shown in the illustration below. Each *net* receipt of cash, other than that received for merchandise sold, less discount, is entered in the *Net Cash* column and in the *General* column.

For merchandise sold, less discount, enter the *net* amount in the *Net Cash* column, the discount on the invoice in the *Discount on Sales* column, and the sum of these two items in the *General* column.

Each *net* payment of cash, except for merchandise purchased, less discount, is entered in the *Net Cash* column and in the *General* column. For merchandise purchased, less discount, enter the net amount in the *Net Cash* column, the discount on the invoice in the *Discount on Purchases* column, and the sum of these two items in the *General* column.

In this cashbook the sum of the footings of the first two columns, on either side, should always equal the footings of the third column.

To post the cash receipts: *credit* each item in the *General* column; *debit* the footing of the *Net Cash* column to the *Cash* account in the ledger, and *debit* the footing of the *Discount on Sales* column to the *Discount on Sales* account in the ledger. The small circle underneath these columns is for the ledger page.

To post the cash payments: *debit* each item in the *General* column; *credit* the footing of the *Net Cash* column to the *Cash* account in the ledger, and *credit* the footing of the *Discount on Purchases* column to the *Discount on Purchases* account in the ledger.

Rule a very light line under the balance. Do not use the balance in footing either column when closing the cashbook.

In this form of cashbook the balance is not entered on the credit side of the cashbook.

Cash Paid

		F.			Net Cash		Disc. on Purch.		General	
May	1		Rent Paid	For May	40				40	
	6		Office Supplies	Stationery, etc.	9	50			9	50
	11		Warren & Co.	Inv. 5/1, less 2%	171	50	3	50	175	
	17		Elson & Son	Inv. 5/15, less 1%	272	25	2	75	275	
	20		*Student*, Drawing	For personal use	50				50	
	20		W. K. King, Drawing	" " "	50				50	
	22		Notes Payable	Favor Way & Co.	300				300	
	25		Wilson & Co.	Inv. 5/19	87	50			87	50
	30		Salary	Of clerk	30				30	
					1010	75	6	25	1017	00
					(1)		(5)			

RIGHT-HAND PAGE OF CASHBOOK, SET IV

Selling Price Lists. The table below gives twenty-five *different* selling price lists, any one of which may be used if the instructor so desires.

Buying Price List. In Set IV all merchandise is to be bought at the following prices:

BUYING PRICE LIST FOR MAY AND JUNE

Article and Quantity	Cost
Carpenter's Chisels, ½-in., doz.	$4.20
Coal Hods, doz.	4.50
Door Knobs, doz.	.75
Family Scales, each	1.75
Grindstones, each	1.
Hammers, doz.	9.
Handsaws, doz.	18.
Ice-cream Freezers, each	2.50
Knives and Forks, set	3.75
Lanterns, doz.	8.
Meat Choppers, doz.	12.
Mortise Locks, doz.	6.
Nails, 8d, wire, keg	3.20
Planes, #4, doz.	24.
Railroad Picks, 9 lb., doz.	10.
Steel Axes, doz.	12.
Try-squares, 6-in., doz.	2.50

SELLING PRICE LISTS

Article and Quantity	1	2	3	4	5	6	7	8	9	10
Carpenter's Chisels, ½-in., doz.	5.25	5.30	5.35	5.20	5.40	5.18	5.22	5.37	5.74	5.30
Coal Hods, doz.	5.80	5.85	5.72	5.84	5.74	5.90	5.88	5.83	5.75	5.78
Door Knobs, doz.	1.	1.03	1.06	1.10	1.08	1.07	1.12	.98	.99	1.11
Family Scales, each	2.20	2.10	2.14	2.18	2.22	2.08	2.13	2.19	2.21	2.20
Grindstones, each	1.25	1.40	1.45	1.50	1.30	1.35	1.39	1.43	1.37	1.28
Hammers, doz.	12.	12.06	12.22	12.25	12.30	12.50	12.45	12.55	12.60	12.05
Handsaws, doz.	24.	24.20	24.25	24.32	23.50	23.40	24.50	24.85	24.09	24.10
Ice-cream Freezers, each	3.10	3.25	3.20	3.30	3.12	3.32	3.35	3.40	3.31	3.26
Knives and Forks, set	4.80	4.75	4.90	4.95	5.	4.82	4.92	4.85	4.95	4.80
Lanterns, doz.	10.20	10.25	10.30	10.35	10.40	10.45	10.50	10.55	10.45	10.48
Meat Choppers, doz.	16.	17.50	17.	16.25	15.80	16.21	16.26	16.31	16.36	16.41
Mortise Locks, doz.	8.	8.20	8.15	8.10	7.90	7.95	7.80	7.95	8.25	8.30
Nails, 8d, wire, keg	4.10	4.20	4.25	4.09	4.12	4.15	4.18	4.22	4.16	4.12
Planes, #4, doz.	30.	32.	29.	31.	33.	29.	28.	27.50	30.	28.50
Railroad Picks, 9 lb., doz.	12.50	13.	13.25	12.60	13.40	12.40	12.50	12.75	13.10	13.20
Steel Axes, doz.	15.50	15.60	15.75	15.25	15.50	15.70	15.80	15.30	15.15	15.20
Try-squares, 6-in., doz.	3.20	3.10	3.	3.05	3.25	3.28	3.30	3.35	3.35	3.10

WORK FOR MAY

Incoming Business Forms for May. Please read the instructions given on page 107 and apply them to the following list:

Form 1. Invoice of Turner & Moss, City, May 2. Terms: cash.

10 doz. Carpenter's Chisels
12 Family Scales
10 Grindstones
20 sets Knives and Forks
4 doz. Mortise Locks
1 doz. Planes, #4
3 doz. Handsaws

Form 2. Bill of H. L. Mills, City, May 4. Terms: cash.

Set Office Books, $12
Stationery, $3

Form 3. Invoice of Wilder & Chase, City, May 7. Terms: 1/2 in 3 da., balance in 10 da.

8 doz. Coal Hods
12 doz. Door Knobs
15 doz. Hammers
10 Ice-cream Freezers
5 doz. Lanterns
10 kegs Nails
2 doz. Planes, #4
5 doz. Carpenter's Chisels

Form 4. Invoice of Dunn & Sanford, City, May 9. Terms: 10 da.

10 doz. Railroad Picks
6 doz. Meat Choppers
12 doz. Steel Axes
20 doz. Try-squares

FOR MAY AND JUNE

11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
5.27	5.42	5.25	5.28	5.23	5.30	5.42	5.45	5.38	5.50	5.46	5.44	5.32	5.43	5.40
5.81	5.80	5.88	5.77	5.79	5.80	5.83	5.85	5.90	5.90	5.88	5.90	5.85	5.75	5.70
1.14	1.12	1.16	1.10	1.	1.13	1.09	1.12	1.15	1.07	1.04	1.	1.10	1.06	1.05
2.11	2.13	2.23	2.15	2.10	2.20	2.18	2.15	2.22	2.25	2.24	2.16	2.18	2.21	2.25
1.25	1.29	1.33	1.35	1.34	1.30	1.40	1.36	1.38	1.28	1.32	1.29	1.30	1.35	1.37
12.10	12.15	12.09	12.06	12.12	12.16	12.18	12.20	12.25	12.35	12.40	12.25	12.20	12.10	12.
23.92	23.97	24.02	24.	25.	24.20	24.22	23.90	23.95	23.80	24.	23.85	23.90	24.10	23.95
3.24	3.25	3.23	3.32	3.35	3.20	3.24	3.28	3.26	3.18	3.15	3.20	3.25	3.22	3.24
4.92	4.88	5.	5.02	5.05	5.01	4.80	4.85	4.92	4.90	4.95	4.98	4.75	4.80	4.70
10.10	10.25	10.40	10.35	10.32	10.30	10.22	10.26	10.21	10.75	10.65	10.60	10.55	10.70	10.72
16.01	16.05	16.09	16.13	16.17	16.22	16.27	16.32	16.37	16.42	16.02	16.06	16.10	16.14	16.18
8.14	8.12	8.16	8.31	8.33	8.15	8.20	8.22	8.18	8.20	8.22	8.05	8.10	8.	8.02
4.06	4.10	4.12	4.07	4.02	4.09	4.11	4.15	4.13	4.22	4.15	4.30	4.28	4.10	4.05
28.	31.50	32.10	31.75	31.10	31.40	31.30	31.35	31.25	31.32	31.05	30.75	30.80	30.95	31.
13.30	13.25	13.45	13.30	13.15	13.06	13.09	13.12	12.95	13.02	13.07	13.09	13.20	13.25	13.30
15.30	15.40	15.50	15.60	15.	15.90	15.95	15.75	15.60	15.75	15.60	15.55	16.10	16.05	16.
3.40	3.28	3.33	3.32	3.37	3.39	3.31	3.24	3.35	3.32	3.27	3.31	3.25	3.30	3.20

Form 5. Check of Strong & Hunter, City, for $130.20, in your favor, May 11.

Form 6. Invoice of Turner & Moss, City, May 14. Terms: on account.

12 doz. Carpenter's Chisels	6 doz. Hammers
10 doz. Coal Hods	6 Ice-cream Freezers
30 Family Scales	6 doz. Handsaws
20 doz. Door Knobs	10 Grindstones

10 sets Knives and Forks

Form 7. Invoice of Wilder & Chase, City, May 16. Terms: on account.

10 doz. Lanterns	10 kegs Nails
6 doz. Mortise Locks	6 doz. Planes, #4

Form 8. Invoice of Dunn & Sanford, City, May 20. Terms: 1/30.

10 doz. Railroad Picks	6 doz. Steel Axes
6 doz. Meat Choppers	10 doz. Try-squares

NOTE. The terms given mean that 1% will be taken off the face of the invoice if it is paid within 30 da.

Form 9. Check of Strong & Hunter, City, for $150, in your favor, May 23.
Form 10. Check of John H. Sand, City, for $200, in your favor, May 30.

Opening the Set. Observe these general directions:

1. The same bound books are used as in Set III.
2. *Student* and James A. Hart are represented as proprietors.
3. The firm name is to be *Student* & Hart.
4. *Student* will keep the books and manage the business.
5. Begin a new page in the cashbook, the journal, the check book, and the sales book.
6. Unless otherwise stated, *all payments* are to be made *by check.* Use a new sheet for the bank account.
7. In the month of May, omit the use of the *Discount on Sales* column and the *Discount on Purchases* column in the cashbook. These columns will not be used until the month of June.

MEMORANDA OF TRANSACTIONS FOR MAY

May 1. Student and James A. Hart begin a General Hardware business, investing cash, $3000. Each partner invests $1500.

Place the above memorandum in the journal, *but make no journal entry.* Receive the currency from the instructor.

Refer to the model cashbook, and make the entry for each partner.

1. Deposit all currency in The Union Bank, under the firm name.

In the pass book, above the *student's* name, write the firm name, *Student* & Hart.

May 1. You have entered into an agreement with Wm. H. Kellogg for the rental of his store, 266 Broad St., at $50 per month.

No entry is required. A memorandum of this agreement may be made and filed with the incoming papers.

Engage Henry Lakey as a clerk at $35 per month.

2. Buy of Turner & Moss, City, for cash, merchandise as per invoice, Form 1.

This check will be No. 1. Now that you are engaged in a partnership business, checks are to be signed with the *firm name.*

3. Give Wm. H. Kellogg a check for rent of the store for May.

4. Buy of H. L. Mills, City, for cash, books and stationery, as per bill, Form 2.

Remember that *all* cash payments are made by check unless otherwise noted.

5. W. D. Mendon, City, places an order for the following goods. Fill the order at the prices given herewith. Terms: cash.

4 doz. Carpenter's Chisels at $5.25	1 doz. Handsaws at $24
6 Family Scales at $2.20	5 sets Knives and Forks at $4.80
4 Grindstones at $1.25	2 doz. Mortise Locks at $8

Record the invoice in the sales book and the cashbook. Begin a new page in the sales book.

Receipt the invoice and receive the currency.

6. Hall & Son, City, place an order for the following goods. Fill the order. Terms: on account.

3 doz. Carpenter's Chisels	6 sets Knives and Forks
1 doz. Planes, #4	4 Family Scales

7. Buy of Wilder & Chase, City, merchandise as per invoice, Form 3. Terms: 1/2 in 3 da.; balance in 10 da.

7. Deposit currency, $100.

8. Strong & Hunter, City, place an order for the following goods. Fill the order at the prices given herewith. Terms: on account.

4 doz. Coal Hods at $5.80	5 doz. Hammers at $12
3 kegs Nails at $4.10	3 Ice-cream Freezers at $3.10
5 doz. Door Knobs at $1	2 doz. Lanterns at $10.20

9. Buy of Dunn & Sanford, City, at 10 da., merchandise as per invoice, Form 4.

9. Withdraw by check $15, to be used for office expenses.

Write this check to the order of *Cash.* No entry is required because no cash has been paid out. Place the currency in the *Business Cash* envelope. This is called a *cash check.*

May 10. Remit to Wilder & Chase a check for one half the invoice of *May 7*.

If there is a half cent in the division, call it one cent; always reckon the odd cent on the first transaction.

10. Pay S. H. Lyman, in currency, $5 for office stationery.

11. Receive of Strong & Hunter their check for the invoice of *May 8*, Form 5.

Examine the check: if correct, enter the amount in the cashbook. Place the check in the *Business Cash* envelope.

12. Give each partner a check for $50, for his personal use.

Write your check as follows: Pay to the order of *Student*.
Make your partner's check payable to his own name.
Sign each check with the *firm name*, as usual.
Enter in the cashbook as payments, under each partner's name, *Drawing* account.
Place the currency in the *Personal Cash* envelope.

The Drawing Account. Why Used. This account does not represent any part of the investment of a business, but the dealings of the business with the individual members of the firm; for this reason they are kept separate from the investment, or capital, of the firm.

The *investment*, or *capital*, account is to be used in carrying on the business, and it is not to be disturbed except by agreement of the partners and the amendment of the articles of partnership.

In this set the following items are entered into the drawing accounts:

Debits	Credits
1. Cash withdrawn by a partner for private use	1. Proper share of any net profits of the business
2. Proper share of any net losses when the books are closed	

May 13. L. P. Austin, City, places an order for the following goods. Fill the order. Terms: on account.

5 doz. Railroad Picks	5 doz. Try-squares
2 doz. Meat Choppers	5 doz. Hammers
6 doz. Steel Axes	3 Ice-cream Freezers

14. Buy of Turner & Moss, City, on account, merchandise as per invoice, Form 6.

15. Deposit the check on hand.

May 15. Wilson & Barton, City, place an order for the following goods. Fill the order. Terms: 10 da.

10 doz. Door Knobs	3 Ice-cream Freezers
3 doz. Hammers	6 sets Knives and Forks
2 doz. Handsaws	4 doz. Carpenter's Chisels

16. Buy of Wilder & Chase, City, on account, merchandise as per invoice, Form 7.

17. Remit to Wilder & Chase a check for the balance of the invoice of *May 7.*

Note the amount paid on this invoice on *May 10.*

18. John Howe, City, places an order for the following goods. Fill the order at the prices given herewith. Terms: cash.

4 doz. Lanterns at $10.20	5 kegs Nails at $4.10
3 doz. Mortise Locks at $8	3 doz. Planes, #4, at $30

19. Strong & Hunter, City, place an order for the following goods. Fill the order. Terms: on account.

6 doz. Carpenter's Chisels	8 doz. Door Knobs
4 doz. Coal Hods	4 Grindstones
10 Family Scales	3 doz. Hammers
3 doz. Handsaws	5 sets Knives and Forks

20. Buy of Dunn & Sanford, City, merchandise as per invoice, Form 8. Terms: 1/30.

What does *Terms: 1/30* mean?

21. Receive of L. P. Austin cash, on the invoice sold to him on *May 13*, $100.

22. John H. Sand, City, places an order for the following goods. Fill the order. Terms: on account.

6 doz. Railroad Picks	5 kegs Nails
5 doz. Meat Choppers	5 Ice-cream Freezers
10 doz. Try-squares	4 doz. Lanterns
3 Grindstones	6 doz. Carpenter's Chisels

23. Receive of Strong & Hunter their check for $150, to apply on the invoice of *May 19*, Form 9.

24. Deposit the check on hand, and currency, $200.

24. Remit to Dunn & Sanford a check for the amount of the invoice bought of them on *May 9.*

25. Receive of Wilson & Barton cash for the amount of the invoice sold to them on *May 15.*

May 26. Give Wilder & Chase your note at 15 da., with interest, for the invoice of *May 16.*

Write the note and make the journal entry. The invoice should be receipted as follows: *Paid by note at 15 da., Wilder & Chase.*

What should be done with the invoice after it has been receipted? Who receipts this invoice?

27. P. D. Anson, City, places an order for the following goods. Fill the order. Terms: 10 da.

3 doz. Coal Hods	5 Grindstones
10 Family Scales	2 doz. Hammers
4 doz. Door Knobs	1 doz. Handsaws

27. Give Turner & Moss a check for one half of the invoice bought of them on *May 14.*

28. Receive of Hall & Son cash, to apply on the invoice sold to them on *May 6*, $50.

29. L. P. Austin, City, places an order for the following goods. Fill the order at the prices given herewith. Terms: 3/10, n/30.

4 sets Knives and Forks at $4.80	3 doz. Mortise Locks at $8
3 doz. Lanterns at $10.20	4 kegs Nails at $4.10

The terms *3/10, n/30* mean that 3% will be taken off the face of the invoice if it is paid within ten days, but if paid after the ten days, then the face of the invoice must be paid. *n/30* means net 30 da. This is a common and very convenient form of abbreviation. If the invoice is not paid by the purchaser until after the lapse of the 10 da., then the limit of time for payment is 30 da., and the face of the invoice is to be paid at settlement.

29. Wilson & Barton, City, place an order for the following goods. Fill the order. Terms: on account.

2 doz. Planes, #4	2 doz. Meat Choppers
4 doz. Railroad Picks	4 doz. Steel Axes

30. Receive of John H. Sand his check, to apply on account, for $200, Form 10.

31. Deposit the check and all currency on hand.

31. Give Henry Lakey, your clerk, a check for his salary for the month of May, $35.

Monthly Bank Statement. Make the monthly bank statement for May.

Before closing the different books hand them to the instructor for inspection and approval.

Inventories. The following inventories are for use in the work for May:

Inventories, May 31, 19—

Merchandise:

4 doz. Carpenter's Chisels
7 doz. Coal Hods
5 doz. Door Knobs
12 Family Scales
4 Grindstones
3 doz. Hammers
2 doz. Handsaws
2 Ice-cream Freezers
4 sets Knives and Forks
2 doz. Lanterns
3 doz. Meat Choppers
2 doz. Mortise Locks
3 kegs Nails
3 doz. Planes, #4
5 doz. Railroad Picks
8 doz. Steel Axes
15 doz. Try-squares

Office Supplies:

Office Books and Stationery, $12

Closing the Work for May. Close each book as in Set III.

Open accounts in the ledger, four accounts to the page, in the following order; begin on the page indicated by the index number:

Cash
Notes Receivable
Accounts Receivable:[1]
W. D. Mendon
Hall & Son
Strong & Hunter
L. P. Austin
Wilson & Barton
John Howe
John H. Sand
P. D. Anson
Arnold & Davis
V. M. Farnham
Henry Zaner
Merchandise Inventory
Notes Payable
Accounts Payable:[1]
Turner & Moss
Wilder & Chase
Dunn & Sanford
Student, Investment
Student, Drawing
James A. Hart, Investment
James A. Hart, Drawing
Profit and Loss
Sundry Expense Inventory
Merchandise Sales
Interest Earned
Merchandise Discount on Purchases
Merchandise Purchases
Salary
Office Supplies
Rent Paid
Merchandise Discount on Sales
Interest Paid

Foot the ledger accounts.

Take a trial balance; after approval, record it in Blank No. 1, on the page indicated by the index.

Make the statements; after approval, record them in Blank No. 1, on the page indicated by the index.

[1] Do not write *Accounts Receivable* nor *Accounts Payable* in your ledger.

When *Drawing* accounts are kept with the partners, it is necessary to modify the form of that part of the balance sheet or financial statement which pertains to the proprietary interest; the other part of the statement remains unchanged.

Use the following form:

Proprietary Interest:

Student, Investment		$1000	
Drawing:			
Profit and Loss	$120		
Withdrawal	50	70	$1070
James A. Hart, Investment		$1000	
Drawing:			
Profit and Loss	$120		
Withdrawal	50	70	$1070

The above statement sets forth each partner's individual interest in the business at the time the books are closed.

Make the necessary journal entries and postings to close the ledger.

Divide the net profit equally between the partners, according to agreement. The following suggests the journal entry for closing the *Profit and Loss* account:

Profit and Loss	.....	
Student, Drawing		.....
James A. Hart, Drawing		.....
To divide the balance of the *Profit and Loss* account, representing the net profit of the period, between the partners in the agreed proportion.		

After posting the above entry, balance the *Drawing* account of each partner.

Take a second trial balance.

Submit all work to the instructor for approval.

After receiving the monthly bank statement, check the stubs of the check book.

Exercise 39. Review

For Written Work

1. Journalize orally or in writing each transaction in Set IV for May.

2. On sheets of journal and ledger paper write Set I, page 59, as follows: enter all cash items in the cashbook; journalize all other items; post to the ledger, four accounts to the page; take a trial balance; make the usual statements; close the ledger; take a second trial balance.

Exercise 40. Review

For Written Work

1. Make the statements from the following trial balance. Date the statements March 31, 19—.

Cash	$671.55	
Notes Receivable	534.75	
Iles & Son	194.65	
H. R. Eaton	114.85	
Arthur Lessing	265.20	
Mdse. Inventory	1100.	
Office Furniture	145.20	
Real Estate	1200.	
Building and Fixtures	1515.75	
Notes Payable		$356.70
Kittredge & Co.		77.50
H. D. Greene		108.95
E. M. Baker		45.80
John S. Graves, Investment		4200.
John S. Graves, Drawing	100.	
David Freeman, Investment		4200.
David Freeman, Drawing	75.	
Mdse. Sales		5421.50
Interest Earned		16.20
Mdse. Purchases	8381.55	
Rent Paid	65.50	
Office Supplies	38.90	
Interest Paid	23.75	
	$14426.65	$14426.65

Inventories, March 31:

Merchandise	$4562.70
Office Supplies	12.50
Office Furniture	145.20
Real Estate	1200.
Building and Fixtures	1515.75

2. Use the work for May in the books for Set IV, in the following exercises:

a. Analyze each ledger account.

b. Analyze each cashbook entry.

c. Journalize orally each purchase-book entry.

d. Journalize orally each sales-book entry.

e. Distinguish between the *Drawing* account and the *Investment* account.

3. *a.* On a sheet of ledger paper copy the following ledger accounts, allowing eight lines for each account:

MERCHANDISE INVENTORY

19— May	1			1	725						

Student, INVESTMENT

						19— May	1			1	1400

Student, DRAWING

19— May	19			2	60						

HENRY SEARLE, INVESTMENT

						19— May	1			1	1400

HENRY SEARLE, DRAWING

19— May	15			2	50						

MERCHANDISE SALES

					19— May	31		4	1526	40

INTEREST EARNED

					19— May	22		3	9	80

MERCHANDISE PURCHASES

19— May	31			4	1749	45				

OFFICE SUPPLIES

19— May	10			1	12	75				

INTEREST PAID

19— May	13			2	8	50				

Inventories, May 31:

Merchandise	$735.20
Office Supplies	6.25

b. Open the following accounts: *Profit and Loss* and *Sundry Expense Inventory.*

c. Make the necessary entries and postings to close the above ledger.

CHAPTER XI

SET IV. GENERAL HARDWARE BUSINESS (CONTINUED)

WORK FOR JUNE

The memoranda of this month are a continuation of the memoranda for May, representing a partnership business.

Incoming Business Forms for June. The following list is a continuation of the Incoming Business Forms for May on pages 131 and 132:

Form 11. Invoice of Wilder & Chase, City, June 3. Terms: 2/10, n/30.

6 doz. Carpenter's Chisels
10 doz. Door Knobs
5 doz. Hammers
6 doz. Handsaws
6 Grindstones

Form 12. Invoice of Dunn & Sanford, City, June 5. Terms: on account.

6 Ice-cream Freezers
12 sets Knives and Forks
10 doz. Lanterns
10 doz. Mortise Locks
20 kegs Nails
6 doz. Planes, #4

Form 13. Check of Arnold & Davis, City, for $100, in your favor, June 5.

Form 14. Note of P. D. Anson, City, for $100, in your favor, at 10 da., with interest, June 6.

Form 15. Bill of H. L. Mills, City, June 9. Terms: cash.

Office Stationery, $6.75

Form 16. Invoice of Turner & Moss, City, June 12. Terms: 1/2 cash; balance in 30 da.

10 doz. Carpenter's Chisels
5 doz. Coal Hods
12 Family Scales
6 Grindstones
6 doz. Hammers
5 doz. Handsaws
6 doz. Door Knobs

Form 17. Check of L. P. Austin, City, for $73.85, in your favor, June 14.

Form 18. Invoice of Wilder & Chase, City, June 15. Terms: 1/2 cash; balance in 30 da.

6 Ice-cream Freezers
10 sets Knives and Forks
6 doz. Lanterns
12 doz. Mortise Locks
20 kegs Nails
5 doz. Planes, #4

Form 19. Invoice of Turner & Moss, City, June 21. Terms: 1/2 cash; balance in 10 da.

12 doz. Railroad Picks	6 doz. Steel Axes
8 doz. Meat Choppers	10 doz. Try-squares

Form 20. Check of P. D. Anson, City, for $100, in your favor, June 25.

Opening the Work for June. The following general directions should be observed:

1. Use the same price list and the same books as in May.

2. Begin a new page in the journal. In the sales book, leave a space of three lines, then write the first sale in June under the last sale in May.

3. The balance brought down from the May cashbook, under June 1, is to be reckoned with the cash receipts in June. Use a new sheet for the bank account. Record the balance at the head of the deposit column.

MEMORANDA OF TRANSACTIONS FOR JUNE

June 1. Give Wm. H. Kellogg a check for rent of the store for June, $50.

2. Receive of Hall & Son cash for the balance of the invoice of *May 6.*

2. Give Turner & Moss your note at 15 da. for the balance of the invoice of *May 14.*

3. Buy of Wilder & Chase, City, merchandise as per invoice, Form 11. Terms: 2/10, n/30.

4. Hall & Son, City, place an order for the following goods. Fill the order. Terms: 30 da.

4 doz. Coal Hods	3 doz. Carpenter's Chisels
4 Family Scales	3 doz. Hammers
3 doz. Handsaws	5 doz. Try-squares

5. Buy of Dunn & Sanford, City, on account, merchandise as per invoice, Form 12.

5. Arnold & Davis, City, place an order for the following goods. Fill the order at the prices given herewith. Terms: cash, $100; balance in 15 da.

3 Ice-cream Freezers at $3.10	5 doz. Lanterns at $10.20
3 doz. Try-squares at $3.20	6 doz. Mortise Locks at $8
8 sets Knives and Forks at $4.80	2 doz. Planes, #4, at $30

Enter in the sales book. Receive their check for $100, Form 13, and enter it in the cashbook. Under what name is the check entered?

June 6. Receive of L. P. Austin cash for the balance of the invoice of *May 13.*

6. Receive of P. D. Anson his note at 10 da., with interest, Form 14.

Do not make any *entry* for the interest.

6. Receive of Strong & Hunter cash for the balance of the invoice of *May 19.*

6. Deposit the check on hand, and currency, $200.

8. Receive of L. P. Austin cash for the invoice of *May 29*, less 3%.

The allowance of 3% on this invoice for early payment is called *merchandise discount.* Such allowances are common in business. Study with care the following discussion of merchandise discount.

Merchandise Discount. If certain definite terms are noted on an invoice, as 3/10, n/30, and the buyer takes advantage of the terms which allow a discount, such allowance is termed *merchandise discount.* If the terms are *cash* less some specified discount, the allowance may be treated just the same as when a certain number of days are named, as 3/10; this method is followed in this text.

If the discount is made on a purchase, then the name of the allowance is *Merchandise Discount on Purchases*; if on a sale, *Merchandise Discount on Sales.*

In this text no discounts are deducted on the face of the invoice; all invoices will be entered at the *face* value in the regular books of record, and all discounts on the invoices will be recorded in the cashbook and posted to the ledger.

Refer to the model cashbook for May.

It is very convenient to write dates in fractional form. 5/29 means the 5th month and the 29th day, — May 29.

The ability of a business man to take advantage of the discounts offered on goods purchased is often an important or even a determining factor in his business success; the fact that he is able to pay for his goods within the discount period gains financial credit for him.

June 8. Give Dunn & Sanford a check for the invoice of *May 20*, less 1%.

9. Pay the bill of H. L. Mills, by check, for office stationery, Form 15.

10. Give Wilder & Chase a check for your note, in their favor, due to-day, with interest.

June 11. Strong & Hunter, City, place an order for the following goods. Fill the order. Terms: 15 da.

5 doz. Door Knobs	2 doz. Handsaws
3 Grindstones	6 kegs Nails
2 doz. Hammers	4 doz. Try-squares

12. Buy of Turner & Moss, City, merchandise as per invoice, Form 16. Terms: 1/2 cash; balance in 30 da.

Enter the entire amount in the purchase book. Remember the check for the cash payment.

13. Give Wilder & Chase a check for the amount of the invoice of *June 3*, less 2%.

13. Give each partner a check for $50, for personal use.

Sign each check with the firm name.

To what account are these amounts to be posted?

14. L. P. Austin, City, places an order for the following goods. Fill the order at the prices given herewith. Terms: 1/2 cash; balance in 30 da.

4 doz. Carpenter's Chisels at $5.25	2 Grindstones at $1.25
6 Family Scales at $2.20	3 doz. Hammers at $12
3 doz. Door Knobs at $1	3 doz. Handsaws at $24

Receive a check for one half the amount, Form 17.

15. Buy of Wilder & Chase, City, merchandise as per invoice, Form 18. Terms: 1/2 cash; balance in 30 da.

16. Receive of P. D. Anson cash for his note and interest due to-day.

Compute the interest on the note and receive the currency. Remember, there are two entries in the cashbook. What titles will be used? How is this note to be canceled?

16. Deposit the check on hand, and currency, $200.

17. Give Turner & Moss a check for your note, in their favor, due to-day.

19. V. M. Farnham, City, places an order for the following goods. Fill the order at the prices given herewith. Terms: cash.

6 kegs Nails at $4.10	2 doz. Railroad Picks at $12.50

20. Receive of Arnold & Davis cash for the balance of the invoice of *June 5*.

21. Buy of Turner & Moss, City, merchandise as per invoice, Form 19. Terms: 1/2 cash; balance in 10 da.

June 22. Wilson & Barton, City, place an order for the following goods. Fill the order. Terms: cash, $75; balance in 10 da.

5 doz. Carpenter's Chisels	5 Grindstones
3 doz. Coal Hods	3 doz. Hammers
4 doz. Door Knobs	2 doz. Handsaws

22. Deposit currency, $175.

23. Give Dunn & Sanford your note at 30 da., to apply on account, $200.

24. John H. Sand, City, places an order for the following goods. Fill the order. Terms: cash, $150; balance in 30 da.

6 Ice-cream Freezers	6 doz. Mortise Locks
8 sets Knives and Forks	10 kegs Nails
5 doz. Lanterns	3 doz. Planes, #4

25. P. D. Anson, City, places an order for the following goods. Fill the order. Terms: cash, $100; balance in 10 da.

5 doz. Railroad Picks	4 doz. Steel Axes
5 doz. Meat Choppers	3 doz. Try-squares

Receive his check for $100, Form 20.

26. Receive of Strong & Hunter cash for the invoice of *June 11.*

26. Deposit the check on hand, and currency, $250.

27. Strong & Hunter, City, place an order for the following goods. Fill the order. Terms: 10 da.

3 doz. Railroad Picks	4 doz. Try-squares
10 kegs Nails	2 doz. Steel Axes

28. Henry Zaner, City, places an order for the following goods. Fill the order at the price given herewith. Terms: cash.

6 kegs Nails at $4.10

29. Prepay your note in favor of Dunn & Sanford, issued on June 23, by giving them a check for the net proceeds.

This note has 24 da. to run; compute the interest on the face of the note for that time.

Enter in the cashbook as follows: under *Cash Paid*, the face of the note; under *Cash Received, Interest Earned* for the interest.

Write a check for the face of the note minus the discount. Hand in the check and receive the canceled note. This note will be canceled by writing across the face of it *Paid June 29, 19—, Dunn & Sanford.*

Place the canceled note in the *Paid Bills* envelope. This serves as a receipt for the note which has been paid.

June 29. Hall & Son, City, place an order for the following goods. Fill the order. Terms: on account.

4 Family Scales	3 Ice-cream Freezers
3 Grindstones	2 doz. Handsaws

30. Give Henry Lakey, your clerk, a check for his salary, $35.

30. Deposit all currency on hand.

30. Withdraw, by check, the balance on deposit in The Union Bank.

Write the check payable to the order of *Cash.* The reasons for this withdrawal were given at the close of April. *No entry is required.*

Monthly Bank Statement. Make the monthly bank statement.

Hand all books to the instructor for inspection and approval.

Inventories. Record the following inventories on a sheet of journal paper, in the usual form, at the cost price, and file for future reference:

Inventories, June 30, 19—

Merchandise:

8 doz. Carpenter's Chisels	10 sets Knives and Forks
5 doz. Coal Hods	8 doz. Lanterns
9 doz. Door Knobs	6 doz. Meat Choppers
10 Family Scales	12 doz. Mortise Locks
3 Grindstones	5 kegs Nails
3 doz. Hammers	9 doz. Planes, #4
1 doz. Handsaws	7 doz. Railroad Picks
2 Ice-cream Freezers	8 doz. Steel Axes

6 doz. Try-squares

Office Supplies:

Books and Stationery, $12.50

Closing the Set. Close the different books.

May and June constitute one set of books; therefore the work for June will be posted to the same accounts as that for May.

Foot the ledger accounts.

Take a trial balance; after approval, record it in Blank No. 1, on the page indicated by the index.

Make the usual statements; after approval, record them in Blank No. 1, on the page indicated by the index.

Make the necessary journal entries and postings to close the ledger.

Submit all work to the instructor for approval.

After receiving your monthly bank statement, check the stubs of the check book.

Exercise 41. Review

For Written Work

1. Journalize orally or in writing each transaction in June.

2. Journalize orally or in writing each transaction in Set G, pages 151 and 152.

3. As a test, write from memory, on blank paper cut to the proper size, the following business forms; make the entry for each party.

a. A Promissory Note. On May 27 *Student* gives Henry S. Miller a 30-day promissory note, bearing interest at 6%, payable at Second National Bank. Face of the note, $237.50.

b. A Promissory Note. On June 16 *Student* receives of Adam H. Freeman a 60-day promissory note, without interest, payable at Union National Bank. Face of the note, $348.20.

c. A Check. On May 15 *Student* receives of Howard & Co. a check drawn on the City National Bank for $88.40.

4. Use the work for June in the books for Set IV in the following exercises:

a. Analyze each ledger account.

b. Analyze each cashbook entry.

c. Journalize each purchase-book entry.

d. Journalize each sales-book entry.

e. Analyze each journal entry.

5. On June 16 P. D. Anson settled for his note and the interest. How did this settlement affect the present worth of the business?

6. On June 29 the business prepaid a note in favor of Dunn & Sanford. Did this prepayment affect the present worth?

7. On June 17 the business paid a note in favor of Turner & Moss. Did the payment of this note affect the amount of the present worth of the business?

8. What effect does each of the following transactions have on the present worth of the business?

a. A receipt of money on account.

b. A payment of money on account.

c. The payment of a promissory note at maturity, without interest; with interest.

d. The receipt of cash for a promissory note at maturity, without interest; with interest.

9. State the use of the *Investment* account.

10. State the use of the *Drawing* account.

11. What does the credit balance of the *Drawing* account show?

Exercise 42. Review

For Written Work

1. Make the statements from the following trial balance. Date the statements June 30, 19—.

Cash	$446.65	
Notes Receivable	512.90	
John S. Bright	178.40	
King & Melton	131.70	
Derby & Co.	78.95	
Mdse. Inventory	1020.	
Office Furniture	128.60	
Real Estate	600.	
Building and Fixtures	1223.65	
Notes Payable		$234.50
Wallis & Lace		102.15
John D. Wheeler		45.75
White & Son		24.50
Geo. M. Blake, Investment		2350.
Geo. M. Blake, Drawing	100.	
H. S. Rowen, Investment		2350.
H. S. Rowen, Drawing	75.	
Mdse. Sales		2473.15
Interest Earned		43.25
Mdse. Discount on Purchases		32.65
Mdse. Purchases	2985.40	
Rent Paid	80.	
Office Supplies	33.75	
Mdse. Discount on Sales	31.35	
Interest Paid	29.60	
	$7655.95	$7655.95

Inventories, June 30:

Merchandise	$1850.60
Office Furniture	128.60
Real Estate	600.
Building and Fixtures	1223.65
Office Supplies	21.55

2. The following ledger closings are suggested:

a. Transfer to sheets of ledger paper the *Drawing* accounts and the other accounts necessary to close the ledger, then make the necessary entries and postings to close the ledger.

b. Use the accounts from Exercise 40, and close the ledger.

CHAPTER XII

GENERAL REVIEW

Exercise 43. Suggested Studies

For Discussion

I. Profit and Loss Statement

1. From your closed ledger for June, Set IV, state the amount of goods sold for the month; the goods on hand at the beginning of the month; the goods purchased for the month; the goods on hand at the close of the month.

2. How did you find the cost of the goods sold?

3. Why did the sales for the month show a profit?

4. What items, if any, increased this profit, and why?

5. What items, if any, decreased the profit, and why?

6. Did the *Interest Paid* account increase or diminish the profits?

7. Did the *Interest Earned* account increase or diminish the profits? Why?

8. Did the *Merchandise Discount on Sales* increase or diminish the profits? Why?

9. Did the *Merchandise Discount on Purchases* increase or diminish the profits? Why?

II. The Balance Sheet or Financial Statement

1. What is a balance sheet?

2. What is the purpose, in business, of making a balance sheet?

3. What are the three most important facts set forth in the financial statement?

4. How was the amount of the merchandise inventory determined? Why is it an asset?

5. In your ledger for June, Set IV, name each account that shows an asset. Why an asset?

6. Name each account that shows a liability. Why a liability?

7. If a debt is paid in cash, what is the effect on the assets? on the liabilities? on the present worth?

8. If the assets exceed the liabilities, what is the condition of the business?

9. If the liabilities exceed the assets, what is the condition of the business?

SET G. GRAIN

Directions. The books used are the journal, the cashbook, the sales book, the purchase book, and the ledger. Sheets of journal paper and ledger paper should be used for recording the transactions. Allow one third of a page for each account in the ledger.

SUGGESTION. This set is given as a review set, or it may be used for additional work by those students who finish the regular sets in advance of the class.

MEMORANDA OF TRANSACTIONS

June 1. *Student* and Wm. G. Allston begin the Grain and Seed business, investing cash, $2000. Each partner invests $1000.

2. Pay Edward S. Green by check, for rent of the store for June, $50.

3. Buy of Wm. S. Duncan by check:

500 bu. Wheat at $1 — 600 bu. Corn at 60¢

4. Sell Harvey & Co. for cash:

200 bu. Wheat at $1.25 — 150 bu. Corn at 75¢

5. Buy of E. S. Harlan on account:

1000 bu. Oats at 48¢

6. Pay T. J. Coleman by check, for a set of office books, stationery, and supplies, $22.50.

6. Sell Graves & Co. on account:

250 bu. Corn at 75¢ — 400 bu. Oats at 60¢

8. Pay E. S. Harlan by check, on account, $200.

9. Buy of Richard S. Goodman on account:

500 bu. Corn at 60¢

10. Sell Henry P. Dutton on account:

150 bu. Wheat at $1.25 — 100 bu. Corn at 75¢

200 bu. Oats at 60¢

11. Buy of S. M. Collins by check:

400 bu. Wheat at $1

12. Pay Reading & Co. by check, for an office safe, $75.

13. *Student* withdraws cash, for personal use, $50.

June 13. Wm. G. Allston withdraws cash, for personal use, $50.

15. Give E. S. Harlan your note, with interest, at 10 da., $120.

16. Receive of Graves & Co. their check, on invoice of *June 6*, for $175.

17. Give Richard S. Goodman your check for the invoice of *June 9*.

18. Receive of Henry P. Dutton his check for the invoice of *June 10*.

19. Sell Kelsey & Co. on account:

200 bu. Wheat at $1.25 100 bu. Corn at 75¢
200 bu. Oats at 60¢

20. Receive of Graves & Co. their check for the balance of the invoice of *June 6*.

22. Sell Graves & Co. on account, 2% 10 da.:

200 bu. Wheat at $1.25 200 bu. Corn at 75¢
100 bu Oats at 60¢

23. Buy of Geo. M. Barber on account:

500 bu. Oats at 48¢

24. Sell Henry P. Dutton on account:

50 bu. Wheat at $1.25 200 bu. Oats at 60¢

25. Pay E. S. Harlan by check for your note and interest due to-day.

26. Receive of Graves & Co. their check for the invoice of *June 22*, less 2%.

27. Pay Geo. M. Barber by check, on account, $100.

27. Buy of E. S. Harlan on account:

300 bu. Wheat at $1

29. Receive of Henry P. Dutton his check, on account, $75.

30. Receive of Kelsey & Co. their note, with interest, at 30 da., $250.

30. Pay Fred A. Walker, your clerk, by check, one month's salary, $45.

Inventories, June 30, 19—

Merchandise:

400 bu. Wheat at $1
300 bu. Corn at 60¢
400 bu. Oats at 48¢

Office Furniture:

Office Safe $75.

Office Supplies:

Office Books and Stationery 10.50

Exercise 44. Review

For Written Work

1. Make the statements from the following trial balance. Date the statements June 30, 19—.

In this trial balance use is made of Accounts Receivable and Accounts Payable; the former is always an asset; the latter, a liability. These terms are defined on page 63.

The use of *Accounts Receivable* and *Accounts Payable* not only shortens the trial balance but gives the amount owed to the business, and the amount owed by the business as a single item.

In subsequent work these terms will be commonly used.

Cash	$507.75	
Notes Receivable	756.55	
Accounts Receivable	564.50	
Mdse. Inventory	700.	
Real Estate	750.	
Building and Fixtures	1200.	
Office Furniture	116.35	
Delivery Equipment	350.	
Notes Payable		$234.65
Accounts Payable		263.25
Geo. A. Emerson, Investment		2600.
Geo. A. Emerson, Drawing	65.	
Henry S. James, Investment		2600.
Henry S. James, Drawing	65.	
Mdse. Sales		2144.60
Interest Earned		17.45
Mdse. Discount on Purchases		8.10
Mdse. Purchases	2683.90	
Mdse. Discount on Sales	13.55	
Office Supplies	21.95	
Rent Paid	42.	
Interest Paid	31.50	
	$7868.05	$7868.05

Inventories, June 30:

Merchandise	$1697.45
Real Estate	750.
Building and Fixtures	1200.
Office Furniture	116.35
Delivery Equipment	350.

2. Transfer to sheets of ledger paper the necessary ledger accounts, and then close the ledger.

Inventories. *Taking stock*, sometimes called *making up inventories*, is one of the most important features of a business, at the period when the books are to be closed.

The following will make an interesting study for the class:

Members of the class, in groups of two, may be appointed to secure facts from local firms as to the taking of the inventory, and such information as the merchant may choose to give, and report to the class. Each group may secure material from a different business.

A profitable discussion should grow out of this report.

The following questions are suggestive:

Under what conditions should an article be inventoried at less than cost?

Why do merchants often have a special sale just before the inventory is taken?

What important facts are revealed by the taking of the inventory?

If the inventory is valued too high, what will be the effect on the profit and loss of the business? on the proprietary interest?

If the inventory is valued too low, what effect will it have on the profit and loss of the business? on the proprietary interest?

CHAPTER XIII

THE DIRECT METHOD OF CLOSING THE LEDGER

Methods. There are two general methods of closing the ledger, — the *journal* method and the *direct* method. The former has been fully explained in the preceding pages of the text.

The Direct Method. In the *direct* method all inventories and profit and loss amounts are entered directly in the required ledger accounts, in red ink, and all transfers of these amounts are entered in black ink.

The direct method is here explained because students should be familiar with both methods of closing the ledger.

Merchandise Accounts. The first illustrations will be of the merchandise accounts, and the transfers necessary to find the profit on the merchandise sold. The following merchandise accounts and closing inventory are used in the illustration:

MERCHANDISE PURCHASES

19—											
Jan.	6			5	1200						
	19			6	1350						
	26			7	850						

MERCHANDISE SALES

						19—					
						Jan.	10			6	950
							23			7	750
							29			8	900

On Jan. 31 the merchandise inventory was $1100.

NOTE. Any amount or line that is starred (*) is to be written in red ink.

1. The first step is to record the inventory in the *Merchandise Purchases* account and to transfer it to the *Merchandise Inventory* account. Open an account with *Merchandise Inventory.*

After recording the inventory the accounts will appear as follows:

MERCHANDISE PURCHASES

19—						19—				
Jan.	6		5	1200		Jan.	31	* Inventory	8	1100
	19		6	1350						
	26		7	850						

MERCHANDISE INVENTORY

19—										
Jan.	31		8	1100						

2. The *Merchandise Purchases* account shows that merchandise to the amount of $3400 was purchased, and that merchandise valued at $1100 remained unsold on Jan. 31. The difference between these amounts is the cost of the merchandise sold. After this difference ($2300) has been entered in the account, it should be transferred to the debit of the *Merchandise Sales* account. The accounts will then appear as follows:

MERCHANDISE PURCHASES

19—						19—				
Jan.	6		5	1200		Jan.	31	* Inventory	8	1100
	19		6	1350			31	* Cost of Sales	8	2300
	26		7	850						
				3400						3400

MERCHANDISE SALES

19—						19—				
Jan.	31	Cost of Sales	8	2300		Jan.	10		6	950
							23		7	750
							29		8	900

3. The amount of the sales equals $2600, and the cost of the merchandise sold equals $2300. The difference is the gross profit on sales. After this difference ($300) has been entered in the account, it is transferred to the credit of the *Profit and Loss* account. The accounts will then appear as follows:

MERCHANDISE SALES

19—						19—				
Jan.	31	Cost of Sales	8	2300		Jan.	10		6	950
	31	* Profit and Loss	8	300			23		7	750
							29		8	900
				2600						2600

PROFIT AND LOSS

					19—				
					Jan.	31	Mdse. Sales	8	300

Accounts which show Losses. The next step will be to transfer the losses recorded in certain accounts to *Profit and Loss*. To illustrate, assume that the *Rent Paid* account is debited with $25. This loss is transferred directly to the *Profit and Loss* account. After this is done, the accounts will appear as follows:

RENT PAID

19—						19—				
Jan.	3		5	25		Jan.	31	* Profit and Loss	9	25

PROFIT AND LOSS

19—						19—				
Jan.	31	Rent Paid	9	25		Jan.	31	Mdse. Sales	8	300

If a *Salary* account were debited with $45, it would be closed by transferring the loss directly to the *Profit and Loss* account. After this is done, the accounts will appear as follows:

SALARY

19—						19—				
Jan.	15		5	45		Jan.	31	* Profit and Loss	9	45

PROFIT AND LOSS

19—						19—				
Jan.	31	Rent Paid	9	25		Jan.	31	Mdse. Sales	8	300
	31	Salary	9	45						

Proprietor's Account. The next step is to transfer the difference between the debits and the credits of the *Profit and Loss* account to the *Proprietor's* account. This difference ($230) represents the net profit. After this is done, the accounts will appear as follows:

PROFIT AND LOSS

19—						19—				
Jan.	31	Rent Paid	9	25		Jan.	31	Mdse. Sales	8	300
	31	Salary	9	45						
	31	*D. L. Net Profit	9	230						
				300						300

DAVID LANE, PROPRIETOR

						19—				
						Jan.	1		2	1500
							31	Profit and Loss	9	230

In the *Proprietor's* account enter the *Present Worth* in red ink on the debit side; rule the account, and then transfer the *Present Worth* on the credit of the account, below the rulings, in black ink, under Feb. 1.

The account will then appear as follows:

DAVID LANE, PROPRIETOR

19—						19—				
Jan.	31	*Present Worth		1730		Jan.	1		2	1500
							31	Profit and Loss	9	230
				1730						1730
						Feb.	1	Present Worth		1730

This completes the closing of the ledger by the direct method.

The various exercises in the text for closing the ledger may be used for additional work in the class.

Additional Points. In succeeding periods the merchandise inventory at the beginning of the period, as recorded in the *Merchandise Inventory* account, should be transferred to the *Merchandise Purchases* account. The steps as outlined above should then be followed in order.

If the cost of the merchandise sold exceeds the sales price, a loss on sales results, which should be transferred to the debit of the *Profit and Loss* account. The net loss should be transferred to the debit of the *Proprietor's* account.

The accounts which show profits other than the profit on merchandise sold are each closed directly into the *Profit and Loss* account. To illustrate, assume that the *Interest Earned* account shows a credit of $10. After this amount is transferred to the *Profit and Loss* account, the accounts will appear as follows:

INTEREST EARNED

19—						19—				
Mar.	31	* Profit and Loss	4	10		Mar.	25		2	10

PROFIT AND LOSS

19—						19—				
						Mar.	31		4	10

The *Sundry Expense Inventories* account may be used to record the amounts of unused office supplies, fuel on hand, etc., under the direct method of closing the ledger, the same as in the journal method. The only difference is that the amounts would be recorded and transferred directly rather than entered in the journal and posted to the ledger.

Exercises 28, 31, and 38 are suggested for reviews, for closing the ledger.

CHAPTER XIV

COMMERCIAL DRAFTS

Commercial Draft. A *commercial draft* is a written order in which one person directs another to pay a specified sum of money to the order of himself or to the order of a third person.

Use of the Draft. Commercial drafts are used primarily to effect the settlement of debts without the risk or the inconvenience of transmitting money. These debts may be past due, and the draft is used as a means of securing payment. More frequently, however, the draft is used because of the terms indicated on an invoice, as follows: *Subject to draft in 30 da.* (or some period that may be named). At the end of the 30 da. the seller draws a sight draft on the buyer and sends it through his bank of deposit, the buyer honors the draft by paying it, and the money is sent by the bank making the collection to the drawer or to his bank of deposit.

The number of commercial drafts handled by banks is so large that they represent a marked feature of the banking business.

Parties to a Draft. Usually there are two parties to a draft, as follows:

The *drawer*, the one who draws the draft.

The *drawee*, the one on whom the draft is drawn.

A large number of the commercial drafts used as a means of collecting debts are dishonored. The drawee refuses to pay the draft when it is presented to him. Unless there is a special reason, such as dealing with a delinquent debtor, a draft should not be drawn without a previous arrangement or an understanding between the persons. Without such notice a draft ordinarily has no more significance than the sending of a monthly statement of account. The giving of the notice is an expression of business courtesy.

Sight paper is paper payable on presentation.

Sight Draft. To illustrate the use of the sight draft as an aid in collecting debts that are past due, suppose that Edgar McMickle, Paterson, N.J., owes Wilbert, Closs & Co., Springfield, Mass., $260.50.

In some states three days of grace are allowed on sight drafts; that is, the drawee may pay them three days after their presentation to him without dishonoring them. Additional information is given on pages 170 and 172, to which the student is referred.

The account is now past due, and Wilbert, Closs & Co. want the money. They will, after proper notice to the drawee, draw the following draft:

$260.50 Springfield, Mass., July 3, 19—

At sight Pay to the order of

Ourselves

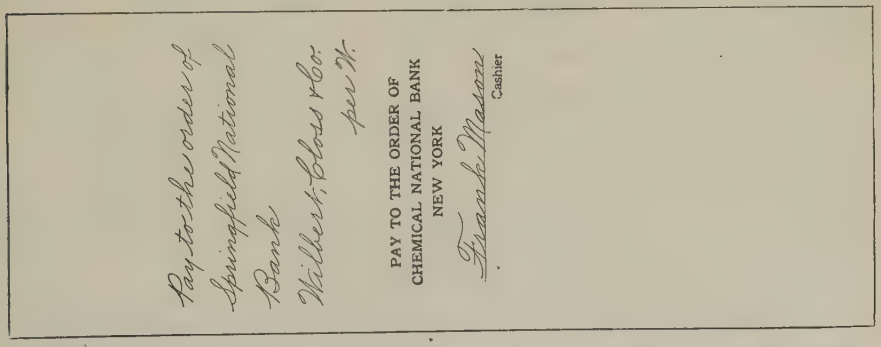
Two hundred sixty 50/100 Dollars

Value received and charge to account of

To Edgar McMickle
No. 130 Due Paterson, N.J.

Wilbert, Closs & Co.

Wilbert, Closs & Co. will indorse the draft and leave it with the Springfield National Bank for collection. As the bank has no account with a Paterson bank, they will again indorse the draft and forward it to the Chemical National Bank of New York City, with whom they have a regular account. The following indorsements will appear on the back of the draft:



The blank indorsement, simply the name, is but little used in business. Banks insist on the use of the special, or full, indorsement.

A number of indorsements that are common in business are illustrated and explained on pages 118 and 119.

The Chemical National Bank will collect the money from McMickle through a bank in Paterson, and then notify the Springfield National Bank that the draft has been collected and the amount credited. The Springfield National Bank notifies Wilbert, Closs & Co. that the proceeds have been credited.

Entries. The following are the entries for this draft:

The Drawer's Entry. Wilbert, Closs & Co. make this entry on the left side of their cashbook:

July	3	Edgar McMickle	Sight draft collected	260	50

WILBERT, CLOSS & CO.'S CASHBOOK

Should the bank make a charge for collecting this draft, the amount of such a charge would appear on the right side of the above cashbook.

The Drawee's Entry. When Edgar McMickle pays the draft, he will debit Wilbert, Closs & Co. on the right side of his cashbook, as follows:

July	5	Wilbert, Closs & Co.	Pd their sight dft.	260	50

MCMICKLE'S CASHBOOK

From the preceding discussion the following principles are deduced regarding the entries for commercial sight drafts:

1. The *drawer's entry* when he draws a sight draft in his own favor, and it is collected, is as follows:

Cash	|	Drawee

2. The *drawee's entry* when he pays a sight draft is as follows:

Drawer	|	Cash

Exercise 45. Sight Drafts

For Written Work

1. Write each of the following drafts, at sight, and make the entry for each party. Use the current date.

Drawer	Drawee	Amount
(*a*) J. C. Green (Your Place)	Amos Hamilton Albany, N.Y.	$350.
(*b*) *Student* (Your Place)	John Garson Columbus, Ohio	$402.10
(*c*) A. B. Mentor Chicago, Ill.	*Student* (Your Place)	$378.50
(*d*) David M. Gay Alton, Ill.	John A. Saxon (Your Place)	$1200.

2. F. A. Wright, Atlanta, Ga., owes you $42.50 on account. Draw a sight draft on him, in favor of yourself, indorse it, and leave it at The Union Bank for collection. In 5 da. the bank informs you that the draft has been collected. Make the entries.

3. The Union Bank presents a sight draft drawn by O. M. Howe, Denver, Colo., on you, in favor of himself, for $104.25. Pay it by check and make the entries.

When you pay a sight draft drawn on you, the draft should be canceled and kept as a receipt.

4. Frank Weeks, Austin, Texas, owes you $200 on account. Draw a sight draft on him, in favor of yourself, for that amount, indorse it, and leave it at the First National Bank for collection. In 6 da. the bank informs you that the draft has been collected. Make the entries.

REVIEW QUESTIONS

1. Define *commercial draft*. 2. State the object of drafts. 3. What names are given to the parties to a draft? 4. Define *drawer*; define *drawee*. 5. What is the relation of the drawer and the drawee? 6. What is the drawee's entry for a sight draft paid? 7. What is meant by sight paper? Illustrate. 8. How is a sight draft used to collect a debt? 9. Is it wise to draw on a good customer without notifying him in advance? Why? 10. How would you indorse a sight draft left at The Union Bank for collection?

Sight Draft Payable to a Bank. The sight draft already illustrated is made payable to *Ourselves*. It is very common, however, to make these drafts payable to the bank with which the drawer does business. By so doing he avoids the necessity of indorsing the draft after he has drawn it.

The following is an illustration of a sight draft drawn payable to the order of a bank:

$ 68 40 Springfield, Mass., June 10, 19—

At sight Pay to the order of

Hanover Trust Company

Sixty-eight 40/100 Dollars

Value received and charge the same to account of

To S. A. Marshall, Columbus, O. G. A. Fetters

This draft shows that G. A. Fetters has a claim against S. A. Marshall, of Columbus, Ohio, for $68.40, and by using this form of draft or by indorsing it to a bank, the bank named is made the agent for collecting the draft.

Who is the drawer of this draft? the drawee?

What is the relation of the parties in this draft?

How would Marshall's account appear on Fetters's ledger at the time the draft was drawn?

What entry would Fetters make when he received word that the bank had collected the draft?

What entry would Marshall make when he paid the draft?

Assuming that the Commercial Trust Co. sent the draft to the First National Bank in Columbus, Ohio, what indorsement would be made on the back of the draft?

The Three-Party Draft. There may be three parties to a commercial draft, as follows:

The *drawer*, the one who draws the draft.

The *drawee*, the one on whom the draft is drawn.

The *payee*, the one to whom the order is made payable.

These are the *original parties* to a three-party draft.

The three-party draft is used less frequently than the two-party draft.

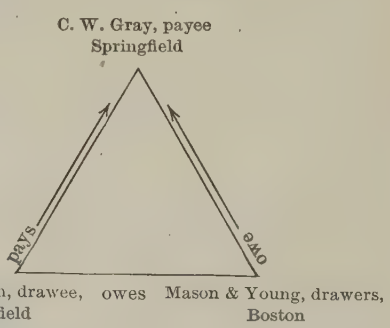
Study the sight draft on page 165 in connection with the accompanying diagram, which sets forth the relation of the parties in the draft.

The persons to a three-party commercial draft usually bear the following relation to each other:

The *drawee* generally owes the drawer.

The *drawer* generally owes the payee.

The *payee* and the drawee bear no relation to each other.



The drawee and the payee usually live in the same place.

While not bound to do so, the drawer usually notifies the drawee before or at the time of drawing the draft.

It is customary to send it to the payee, and he presents it to the drawee for payment.

Entries. The following illustrations set forth the form and the entries for the three-party draft:

500^{00} Boston, Mass., May 3, 19—

At sight Pay to the order of

C. W. Gray

Five hundred $^{00}/_{100}$ Dollars

Value received and charge to account of

To F. C. Gorham } Mason & Young

No. 12 Due Springfield, Mass.

The Drawer's Entry. Mason & Young mail the above draft to C. W. Gray, and make this journal entry:

C. W. Gray		500 —	
F. C. Gorham			500 —
Drew a sight draft on F. C. G.			
and remitted it to C. W. Gray			
on account			

MASON & YOUNG'S JOURNAL

Mason & Young have given C. W. Gray an order equivalent to $500 cash, when presented to Gorham; therefore they should *debit* Gray.

When F. C. Gorham pays the sight draft, he gets out of Mason & Young's debt, $500. He gave the money to Gray, but *for the account of Mason & Young*; therefore Mason & Young will *credit* F. C. Gorham.

The Payee's Entry. Immediately upon the receipt of this draft Gray will take it to F. C. Gorham and receive the cash, or deposit it in his bank for collection and credit. Gray will get the cash, $500; he will make this cashbook entry on the left side:

May 4	Mason & Young	Sight draft on acct	500 —		

GRAY'S CASHBOOK

The cash received by Gray came from Mason & Young through Gorham; therefore Gray should *credit* Mason & Young, as they have canceled a debt they owed to him.

The Drawee's Entry. When the draft is presented to Gorham, he will pay it, and make this cashbook entry on the right side:

May 4		Mason & Young		Pd their sight draft		500	—

GORHAM'S CASHBOOK

Gorham paid Gray $500, but he paid one of his debts to Mason & Young, and thus got out of their debt; therefore he should *debit* them.

Model Draft and Entries. The following illustrations suggest a model for the student to follow in writing drafts and in making the entries:

$300.00 Cleveland, O., June 17, 19—

At sight pay to the order of

David N. Swan

Three hundred 00/100 Dollars

value received and charge to account of

To John D. Sprague, Chas. B. Sherman

No. 16 Due Columbus, O.

THE DRAFT

		David N. Swan				300	—
		John D. Sprague					
		Drew sight draft on J. D. Sprague and remitted it to D. N. Swan on account				300	—

DRAWER'S JOURNAL ENTRY

		Chas. B. Sherman		His sight draft on J. D. Sprague		300	—

PAYEE'S ENTRY ON LEFT SIDE OF CASHBOOK

		Chas. B. Sherman		His sight draft favor D. N. Swan		300	—

DRAWEE'S ENTRY ON RIGHT SIDE OF CASHBOOK

Bank Drafts. Business men usually keep an account with a bank and make a large proportion of their payments by check. However, they find it necessary sometimes to make payment to persons or firms who do not care to give credit for private checks, and then some other form of transfer must be used. A very common and convenient form of remittance is by means of a check of one bank upon another. This is called a *bank draft.*

Suppose that C. C. Canan, Boston, Mass., wishes to buy a bill of goods of Jordan, Marsh & Co., New York, amounting to $400.60. If his financial standing is unknown to Jordan, Marsh & Co., he should not send his personal check. He therefore draws the following check and exchanges it at his bank for a New York draft:

Boston, Mass., July 16, 19— No. 365

Traders National Bank

Pay to the order of N.Y. draft (400.60) Exch. (.50) $401.10

Four hundred one 10/100 Dollars

C. C. Canan

CHECK TO PAY FOR BANK DRAFT

The check is drawn for 50¢ more than the face of the draft, and this charge is called *exchange.* Some banks do not make any charge to regular customers. For this check the Traders National Bank will issue the following draft:

Boston, Mass., July 16, 19— No. 920

Traders National Bank

Pay to the order of C. C. Canan $400.60

Four hundred 60/100 Dollars

To Chemical National Bank, New York

W. A. Hinman, Cashier

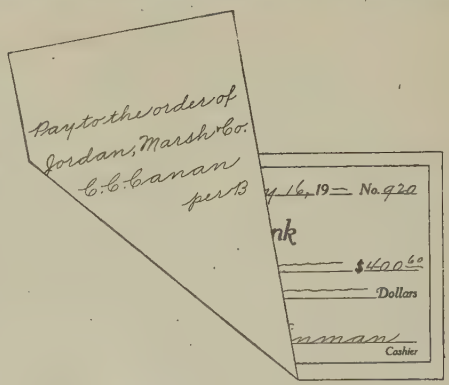
BANK DRAFT

A bank draft is usually drawn payable to the order of the purchaser, who indorses it to the person or the firm to whom it is to be sent, as shown herewith.

In this way the name of the sender appears on the draft, and he is identified as such.

The one who purchases a bank draft may require that the name of the one to whom it is to be sent shall appear as the payee.

In opening letters that contain drafts, if the name of the sender does not appear on the draft, care must be taken to keep the draft and the letter together. If his name is on the draft, it may be identified without the letter.



AN INDORSED BANK DRAFT

Entries. The sending of this draft constitutes a cash payment by C. C. Canan to Jordan, Marsh & Co., and he makes the following entry on the right side of his cashbook:

July	16	Jordan, Marsh & Co.	Dft. for Inv. Mdse	400	60	
	16	Expense	Exchange on above		50	

Upon the receipt of the draft Jordan, Marsh & Co. will make this cashbook entry on the left side:

July	17	C. C. Canan	Dft. for Inv. this da.	400	60	

When Jordan, Marsh & Co. make their deposit for the day, they will include the draft received from Canan, *such drafts being treated as checks.*

Exercise 46. Bank Drafts

For Oral Work

1. Receive from Henry Belmont a bank draft, to apply on account, $750. Give your entry; give his entry. No exchange charged.

2. Receive from Green & Co. a bank draft, to apply on account, $328.40. Give your entry; give their entry. No exchange charged.

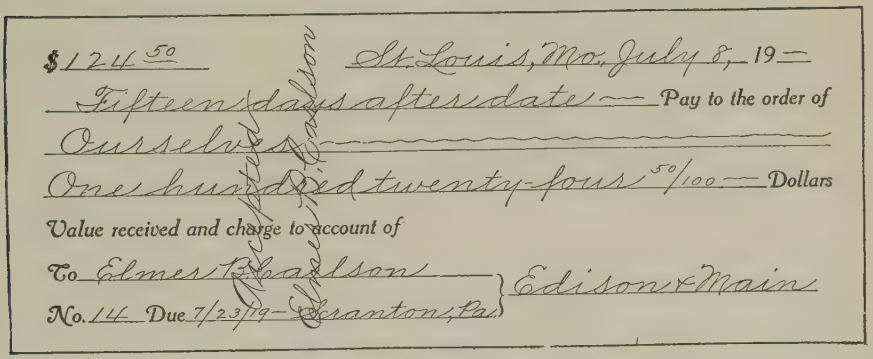
3. Buy of your local bank by check, Henry C. Lucas, Cashier, a draft on the Chemical National Bank, of New York, No. 6846, payable to your order, for $250. Send it to Louis I. Brace in payment of your

note due to-day. Give your entry; give his entry. Indicate the proper indorsement. No exchange charged.

4. Buy of the First National Bank, of your city, Thomas E. Gross, Cashier, a draft on the Second National Bank, of New York, No. 2378, payable to your order, for $32.50. Indorse it and send it to the Jones Manufacturing Company for a set of office books, to be used in your office. Give your entry; give their entry. No exchange charged.

5. As a review, write the check and the draft called for in problem 3.

Time Drafts. Time drafts are of two kinds: namely, those payable a certain time after date, and those payable a certain time after sight (that is, a certain time after *presentation* for acceptance).


$124 50
St. Louis, Mo. July 8, 19—
Fifteen days after date — Pay to the order of
Ourselves
One hundred twenty-four 50/100 — Dollars
Value received and charge to account of
To Elmer E. Carlson
No. 14 Due 7/23/19 Scranton, Pa.
Accepted Elmer E. Carlson
Edison & Main

A DRAFT PAYABLE AFTER DATE

Acceptances. An *acceptance* is a time draft which has been accepted. The preceding form is an *acceptance*, and it is treated in business as a *promissory note.*

Without the writing across the face of this draft it was not binding upon the drawee. He had not agreed to pay the draft, and could not be held legally for payment.

Method of Procedure in handling Time Drafts. The drawer writes the draft and mails it to the drawee.

In the foregoing draft the date of maturity was not determined by the acceptance, as it is expressly stated in the body of the draft that it is to be paid 15 da. after July 8, and this statement fixes the date of maturity, July 23.

When the foregoing draft is presented or received, Carlson is not bound to accept it, though it is a fair assumption that the draft would not have been sent to him without the previous assurance that he would accept it. However, if he does accept it, he becomes the

acceptor, and is held for its payment at maturity, the same as if he had written his promissory note for the amount.

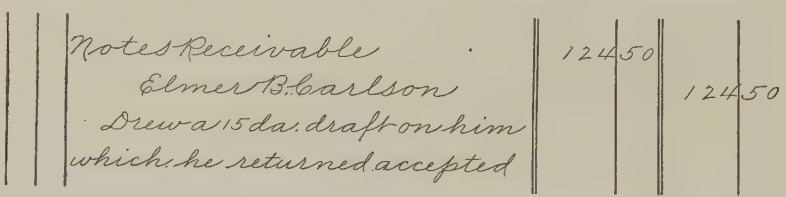
Manner of Accepting. If the drawee is willing to meet a draft on him according to the conditions named therein, he writes the word *Accepted*, and signs his name. This is generally done in red ink across the face of the draft, though the color of the ink has no significance.

In those states that allow days of grace on sight drafts it is necessary to have them accepted in the same manner as time drafts payable after sight, unless they are paid upon presentation.

To *honor* a sight draft is to *pay* it; to *honor* a time draft is to *accept* it or to *prepay* it.

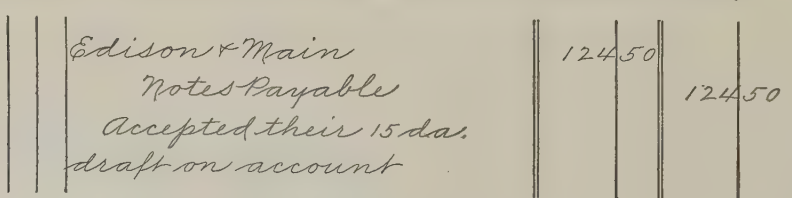
Analysis of Entries of Parties to a Time Draft. Compare the foregoing draft with the sight draft explained on page 156. The relation of the parties is identical. Carlson is indebted to Edison & Main. It is expected that Carlson will accept the draft when it is presented to him.

Drawer's Entry. When Edison & Main, the drawers, receive the draft after it had been accepted by Elmer B. Carlson, the drawee, they have in their possession an acceptance, a *notes receivable*; that is, a written promise for the payment of money. The drawers make the following entry:



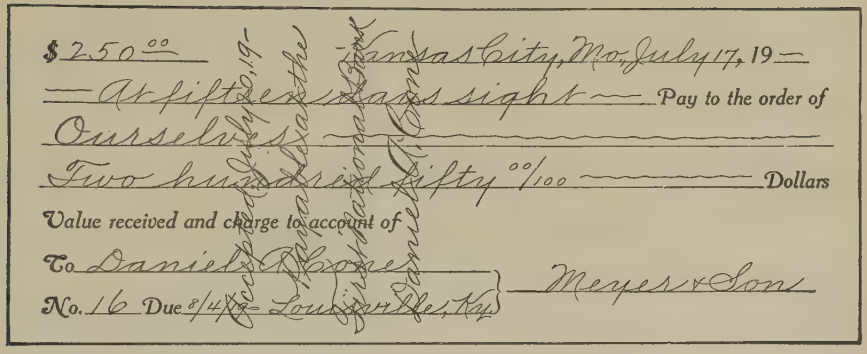
EDISON & MAIN'S JOURNAL ENTRY

Drawee's Entry. When Elmer B. Carlson, the drawee, accepted the foregoing draft, he made it an *acceptance*, which is the same as a *notes payable* issued by him; that is, his written promise to pay a certain sum of money. The drawee would make the following journal entry:



ELMER B. CARLSON'S JOURNAL ENTRY

Draft Payable after Sight. This draft is the same as the one payable *after date* except as to the manner of acceptance. In an order payable *after sight* it is necessary to date the acceptance to fix the date of maturity.


$250.00 Kansas City, Mo., July 17, 19—
At fifteen days sight Pay to the order of
Ourselves
Two hundred fifty 00/100 Dollars
Value received and charge to account of
To Daniel Rogers
No. 16 Due 8/4 Louisville, Ky.
Meyer & Sons

A DRAFT PAYABLE AFTER SIGHT

The difference between a draft payable after date and one payable after sight is that the former begins to mature on the date of the draft, and the latter on the date on which the draft is accepted. The date of acceptance *must* be given in a draft payable after sight, while it may or may not be given in a draft payable after date.

Summary. From the preceding discussion the following principles are deduced regarding the entries for time drafts:

1. The *drawer's entry* when he receives his draft, drawn in his own favor, accepted, is as follows:

Notes Receivable	|	Drawee

2. The *drawee's entry* when he accepts a time draft is as follows:

Drawer	|	Notes Payable

Exercise 47. Time Drafts

For Written Work

1. On May 20 you drew a 30-day draft on James B. Kitner, Des Moines, Iowa, for $145.20, and remitted it to him. On May 26 the draft was received by you accepted.

a. Write the draft and show the acceptance. Make your entry.

b. Make your entry when you receive payment for the acceptance.

2. On June 4 A. S. Burton, Omaha, Nebr., drew a 15-day sight draft on you for $184. You received the draft and accepted it on June 7, and then returned it to A. S. Burton.

a. Write the draft and show the acceptance. Make your entry.

b. Make your entry when you pay the acceptance.

c. How does the acceptance on this draft differ from the acceptance in problem 1?

d. If when you accepted problem 2 you had made it payable at the Union Trust Co., what effect would it have had on the acceptance?

CHAPTER XV

COMMERCIAL DRAFTS (CONTINUED)

Sight Drafts. In the preceding chapter sight drafts were discussed. Because of their importance the following review exercise is given before continuing the study of time drafts.

Exercise 48. Review of Sight Drafts

For Written Work

1. On May 6 you drew a sight draft on Warren & Son, in your own favor, for $325.

a. Make your entry and the necessary explanations. It is assumed that the draft was paid when presented. Make Warren's entry.

2. On May 10 you drew a sight draft on Patterson & Co., Atlanta, Ga., for an invoice dated May 1, for $165.20, in favor of yourself, and left it at your bank for collection.

a. Write the draft. Show the necessary indorsement.

b. Make the entry for each person when the draft is collected.

3. On May 15 you sold an invoice of merchandise to Geo. H. Powell, Cleveland, Ohio, amounting to $125.50, subject to a sight draft in 10 da. On May 24 you left the draft at your bank for collection.

a. Trace the course of this draft until it is paid. Write the draft.

b. Make your entry when your bank reports that it has collected the amount of the draft.

c. Make Powell's entry when he paid the draft.

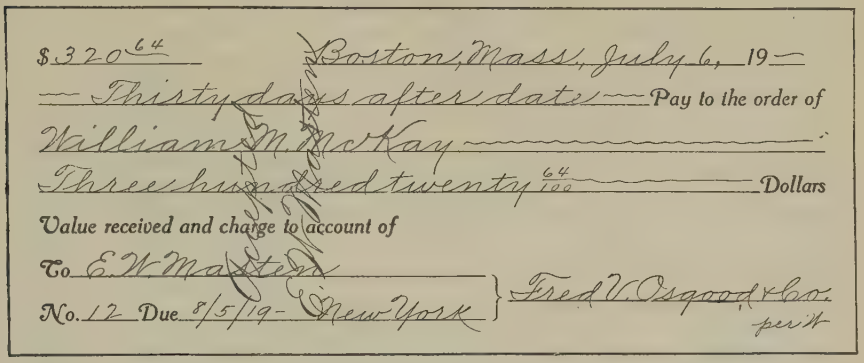
4. On May 20 you bought an invoice of goods of Thos. H. Head, Omaha, Nebr., amounting to $450, subject to a sight draft in 10 da. On May 31 A. A. Lewis, of your city, presented a sight draft drawn on you, in his favor, by Thos. H. Head, for the amount of the invoice. The draft was paid by a check on The Union Bank.

a. Write the check.

b. Write the draft, and make the entry for each person.

If a sight draft was presented to the drawee, and payment, by request, was deferred for a number of days, it would be proper for him to accept the draft. After acceptance the sight draft may be treated as a time draft. Some states allow 3 da. of grace on sight drafts.

Three-Party Time Drafts. The following is an illustration of a time draft having three parties, and the required entry for each party:


$320 64
Boston, Mass., July 6, 19—
Thirty days after date Pay to the order of
William M. McKay
Three hundred twenty 64/100 Dollars
Value received and charge to account of
To E. W. Masten
No. 12 Due 8/5/19- New York
Fred V. Osgood & Co.
per

Method of Procedure in Handling this Draft. The drawer writes the draft and mails it to the payee, who presents it to the drawee for acceptance. In the foregoing draft the date of maturity was not determined by the acceptance of E. W. Masten, and it was not absolutely necessary for William M. McKay to present the draft until it was due, and then only for payment; until the draft is accepted, there is no legal obligation on the part of Masten to pay it, so it would be unbusinesslike on the part of McKay not to present the draft for acceptance within a reasonable time after it was received.

When the foregoing draft is presented, Masten is not bound to accept it. However, if he does accept it, he is held for its payment the same as if he had written his promissory note for the amount.

Manner of Accepting. If the drawee is willing to meet a draft on him according to the conditions named therein, he writes the word *Accepted* and signs his name. This is generally done in red ink across the face of the draft, though the color of the ink has no particular significance.

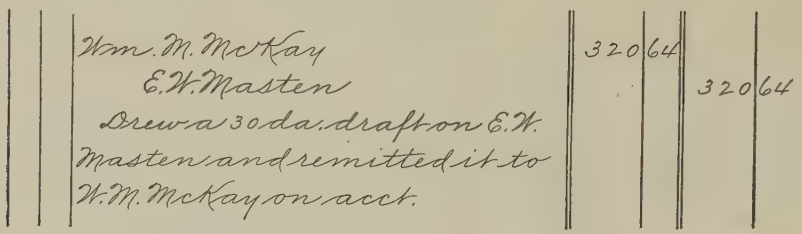
In those states that allow days of grace on sight drafts it is necessary to have them accepted in the same manner as time drafts payable after sight, unless they are paid upon presentation.

To *honor* a sight draft is to *pay* it; to *honor* a time draft is to *accept* it or to *prepay* it.

Analysis of Entries of Parties to a Time Draft. Compare the foregoing draft with the sight draft previously explained. Osgood & Co. owe McKay, and Masten owes Osgood & Co. It is expected that Masten will accept the draft when it is presented to him by McKay.

Drawers' Entry. 1. F. V. Osgood & Co. have given William M. McKay value which, when accepted by E. W. Masten, is the same as Notes Receivable. Therefore they should debit McKay.

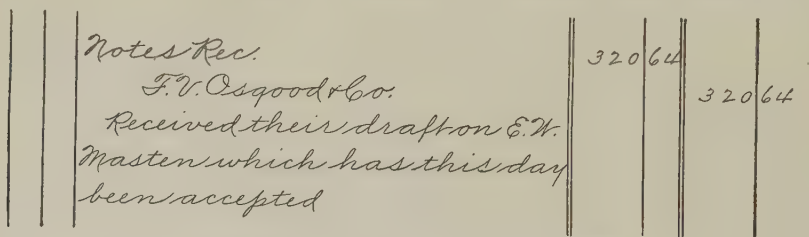
2. When Masten accepts the draft, he binds himself to pay one of Osgood & Co.'s debts. He is expected to honor the draft, and Osgood & Co. should therefore credit him, because by accepting the draft he cancels a debt to the amount of $320.64.



F. V. OSGOOD & CO.'S JOURNAL ENTRY

Payee's Entry. 1. The payee, William M. McKay, instead of receiving cash, as in the case of the sight draft, has received simply E. W. Masten's written promise to pay on a certain date. We have already learned that other people's written promises are debited to *Notes Receivable* when received.

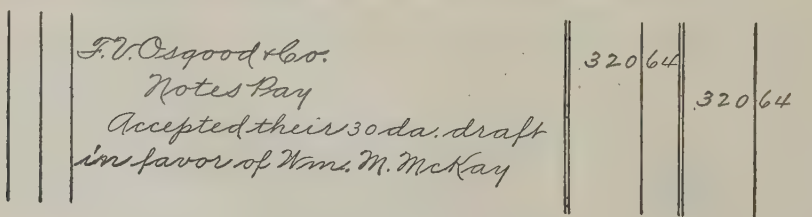
2. As in the case of the sight draft, F. V. Osgood & Co. are responsible for McKay's getting the draft, and he should credit them.



WILLIAM M. MCKAY'S JOURNAL ENTRY

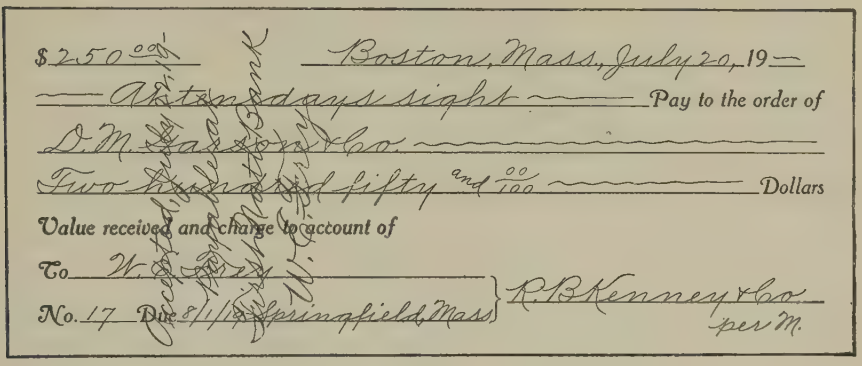
Drawee's Entry. 1. When E. W. Masten has accepted the foregoing draft, he has given the equivalent of his promissory note, and when one issues his promissory note he credits *Notes Payable.*

2. It is for F. V. Osgood & Co. that Masten has promised to be bound by this draft; therefore he should debit them.



E. W. MASTEN'S JOURNAL ENTRY

Draft Payable after Sight. The entries for the following draft, after acceptance, are the same as the draft that is payable *after date*, but the acceptance *must* be dated:


$250.00 Boston, Mass., July 20, 19—
Thirty days sight Pay to the order of
D. M. Parton & Co.
Two hundred fifty and 00/100 Dollars
Value received and charge to account of
To W. Perry
No. 17 Due 8/19 Springfield, Mass.
Accepted July 20, 19— Central Bank
R. B. Kenney & Co.
per M.

Principles for Time Drafts. From the preceding discussion of this subject the following general principles for entries for time drafts are deduced:

1. The *drawer's entry* when a time draft with three distinct parties is accepted is as follows:

Payee	|	Drawee

2. The *drawer's entry* when he receives his draft, drawn in his own favor, accepted, is as follows:

Notes Receivable	|	Drawee

3. The *payee's entry* when he receives a time draft properly accepted is as follows:

Notes Receivable	|	Drawer

4. The *drawee's entry* when he accepts a time draft is as follows:

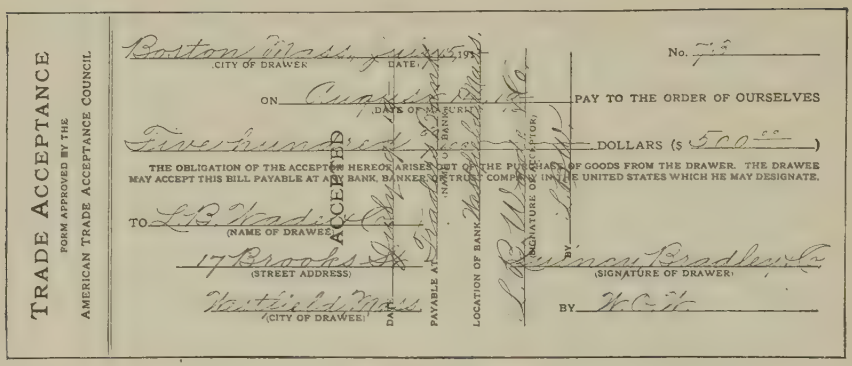
Drawer	|	Notes Payable

5. The *drawer's entry* when he draws a time draft on a second party in favor of himself, and the drawee, instead of accepting it, prepays it in cash, is as follows:

Cash Interest Paid	|	Drawee

6. The *drawee's entry* when he prepays a time draft, in cash, instead of accepting it, is as follows:

Drawer	|	Cash Interest Earned


TRADE ACCEPTANCE
FORM APPROVED BY THE
AMERICAN TRADE ACCEPTANCE COUNCIL
Boston, Mass., June 5, 19
CITY OF DRAWER
DATE
No. 75
ON Quincy Bradley & Co.
DAYS AFTER SIGHT
PAY TO THE ORDER OF OURSELVES
Five hundred
DOLLARS ($ 500.00)
THE OBLIGATION OF THE ACCEPTOR HEREOF ARISES OUT OF THE PURCHASE OF GOODS FROM THE DRAWER. THE DRAWEE
MAY ACCEPT THIS BILL PAYABLE AT ANY BANK, BANKER OR TRUST COMPANY IN THE UNITED STATES WHICH HE MAY DESIGNATE.
ACCEPTED
TO L. B. Wade & Co.
(NAME OF DRAWEE)
17 Brooks St.
(STREET ADDRESS)
Hatfield, Mass.
(CITY OF DRAWEE)
DATE
PAYABLE AT
LOCATION OF BANK
(NAME OF BANK, TRUST COMPANY OR ACCEPTOR)
(SIGNATURE OF ACCEPTOR)
BY
(SIGNATURE OF DRAWER)
Quincy Bradley & Co.
BY W. C. K.

TRADE ACCEPTANCE

The Trade Acceptance. The ordinary time draft used in connection with the sale of merchandise is called a trade acceptance, a term defined by the Federal Reserve Board as follows: A draft, or bill of exchange, drawn by the seller on the purchaser of goods sold, and accepted by the purchaser.

The trade acceptance is coming into use by manufacturers, wholesalers, and jobbers, and even retailers are using it to their advantage.

To illustrate the use of the trade acceptance, assume that Quincy, Bradley & Co. sell L. B. Wade & Co. merchandise amounting to $500. Terms: 30-day trade acceptance.

A trade acceptance similar to the above is mailed with the bill.

Necessary Entries for this Trade Acceptance. The sale will be recorded in the sales book.

When the acceptance has been returned, a journal entry should be made debiting *Notes Receivable* and crediting *L. B. Wade & Co.*

If this acceptance is discounted by Quincy, Bradley & Co. on the date that it is received by them, the following cashbook entries will be made:

July 20		Notes Rec.		Wade's Acceptance		500	—

LEFT SIDE

July 20		Interest Paid		Wade's Acceptance		2	08

RIGHT SIDE

NOTE. Either the *Notes Receivable* account or an account called *Trade Acceptances Receivable* may be used to record the trade acceptances received from customers, and either the *Notes Payable* account or an account called *Trade Acceptances Payable* may be used to record the trade acceptances given to creditors.

Exercise 49. Time Drafts

For Written Work

SUGGESTION. These exercises may be used first orally.

1. On June 1 W. G. Gambee, Denver, Colo., drew on you at 45 days sight, in favor of Fred G. Mercier, of your city. Upon presentation, June 5, you accepted the draft. Face of the draft, $500.

a. Write the draft and the acceptance.

b. Make the entry for each person.

2. You bought of R. H. Macey & Co., New York, 750 yd. Scotch ginghams at 15¢, and received their 30-day draft dated June 4. This you accepted on June 6, for the amount of the invoice.

a. Write the draft and your acceptance.

b. Make your entry for the draft.

c. Make R. H. Macey & Co.'s entry when they received the draft accepted.

In the above it is assumed that R. H. Macey & Co. made one entry in their sales book at the time of shipping the goods, and another on the receipt of your acceptance; also that you entered the invoice in your purchase book, and made a journal entry when the draft was accepted.

3. You owed D. E. Smith, Seattle, Wash., $275, due in 30 da., and F. C. Kirkman, of Seattle, owed you $426.50, on account. You wrote a draft payable 30 da. after date, and sent it to Smith; he presented the draft to Kirkman, who accepted it. This canceled your debt to Smith.

a. Show the proper acceptance on the draft.

b. Make the entry for each person.

4. S. C. Davis, St. Louis, Mo., owed you $500, due in 30 da. You needed the money at once, and drew a 30-day sight draft on him, in favor of yourself, and sent it to him. He accepted it and returned it to you. The draft was dated June 16, and the acceptance, June 18.

a. Write the draft and show the acceptance.

b. Make the entry for each person.

5. You drew a draft payable 30 da. after date on Frank H. Wilson, Trenton, N.J., in favor of yourself, for an invoice dated July 1, for $210.50, and left it at the Traders National Bank for collection. The bank presented the draft, and it was duly accepted. At maturity the Traders National Bank collected the draft, deducted 25¢ for charges, and remitted the balance to you.

a. Write the draft and the indorsement. Show Wilson's acceptance and entry.

b. Make your entry when notified that the draft had been accepted.

c. Make your entry when you received the remittance.

6. You drew a draft payable 10 da. after date on James B. Stillman, Louisville, Ky., in favor of yourself, for $500, and sent it to Stillman for acceptance. The draft is dated July 6, and the acceptance, July 9. He returned the draft, and you held it until it was paid at maturity.

a. Write the draft.

b. Show the acceptance.

c. Make the entry for each person after acceptance.

d. Make the entry for each person at the time of payment.

Exercise 50. Review of Time Drafts

For Written Work

1. Paid by check Arthur S. Harrington's sight draft on you, dated Birmingham, Ala., Aug. 5, in favor of Horace C. Nelson, of your city, for $425.

a. Write the draft and the check.

b. Make the entry for each party.

2. On Feb. 2 Roger P. Mills, Oakland, Cal., accepted your draft at 60 days sight, dated Jan. 29, in favor of yourself, for $900. The draft is payable at Alliance National Bank.

a. Write the draft and show the acceptance.

b. Show the maturity of the draft.

c. Make the entry for each person when the draft was accepted.

d. Make the entry for each person when the draft was paid at maturity.

NOTE. When the time of a note or a draft is expressed in months, calendar months (that is, without regard to the exact number of days in each month) are used to determine the date of maturity; but when the time is expressed in days, the exact number of days is used.

A note or a draft due two months from date matures on the corresponding day of the second following month, provided there is a sufficient number of days in that month to make this possible. If there is not, it is due on the last day of that particular month.

EXAMPLE. Notes and drafts dated Jan. 28, 29, 30, or 31, and payable one month after date, would each mature on Feb. 28, except in leap year; but if payable 30 da. after date, they would be due Feb. 27, 28, and March 1 and 2, respectively.

In most states the added day for leap years is not counted. For example, a note or a draft payable 30 da. after Feb. 25 in any leap year is due March 27, instead of March 26, as would be the case if the extra day were counted.

It is suggested that some member of the class should consult a local banker on these points, and then report to the class.

3. On Feb. 1 you sold F. B. Norton, Buffalo, N.Y., on his acceptance at 60 da., 150 doz. cotton hose at $2.50. The draft drawn on the date of the sale, payable 60 da. after date, was received, accepted, on Feb. 5.

a. Write the draft and show the acceptance.

b. Make your entry for the draft.

4. On Feb. 6 you bought of the Mechanics National Bank, by check, a draft, No. 7521, on the Puritan National Bank, New York City, for $96.24, and remitted it to S. G. Metzer & Co., Cincinnati, Ohio, in full of account. Exchange on draft, 10¢.

a. Write a check on the Mechanics National Bank to cover the draft and the exchange.

b. Write the New York draft. A. Turner, Cashier.

c. Make your entry.

CHAPTER XVI

GENERAL REVIEW

Exercise 51. Review of Debits and Credits

For Written Work

Directions. In this exercise postings are to be made directly to the ledger. Open the necessary accounts on a sheet of ledger paper; allow five lines for each account.

Proceed as follows:

1. In each transaction, note mentally the debit and the credit, and post directly to the ledger.

ILLUSTRATION. Suppose you receive a note from John Brown for $200. On the ledger, debit *Notes Receivable* and credit *John Brown.*

2. For each cash item received, credit the account for the amount received; for each cash item paid out, debit the account for the amount paid. Post the total receipts and the total payments of cash.

3. Credit each purchase, and debit the footing.

4. Debit each sale, and credit the footing.

5. In the journal, determine the proper debits and credits, and post.

6. Take a trial balance; if correct, hand all work to the instructor.

The following are the cashbook entries:

June 1. *Student* invested cash, $1450.

2. Paid Burton A. Pease cash, for rent of the store for June, $40.

3. Paid Ely & Co. cash, for office supplies, $12.50.

6. Paid Lowder & Co. cash, for 3 T. coal for the office, $15.75.

10. Received of Esten & Clark cash, to apply on account, $54.20.

12. Gave Arnold & Co. a check, to apply on account, $135.

14. Received of A. H. Brownell a check for the invoice of *June 4.*

16. Received of Leon B. Shaw cash for the invoice of *June 12*, less 1%.

20. Paid Harry S. Moore cash for the invoice of *June 10.*

22. Paid John Clark cash, for cleaning the store windows, $2.

23. Received of H. C. Gowdy cash, to apply on account, $200.

24. Received of Silver & Case a check for the invoice of *June 24*, less 1%.

June 25. Received of Esten & Clark cash, for their note due to-day, $100.

26. Paid H. S. Ranger cash for the invoice of *June 20*, less 1%.

27. Gave H. C. Putman a check for the invoice of *June 26*, less 1%.

29. Received of Silas N. Cook cash, to apply on account, $150.

30. Paid Henry Gray, a clerk, cash, $30.

The following purchases were made:

June 3. Arnold & Co., on account, $335.

10. Harry S. Moore, at 10 da., $275.20.

20. H. S. Ranger, 1/10, n/30, $525.

26. H. C. Putman, cash, less 1%, $400.

30. Harold D. Service, n/30, $265.25.

The following sales were made:

June 4. A. H. Brownell, at 10 da., $216.25.

8. Esten & Clark, on account, $154.20.

12. Leon B. Shaw, 1/10, n/30, $250.

16. H. C. Gowdy, on account, $325.

24. Silver & Case, cash, less 1%, $300.

29. Silas N. Cook, on account, $212.60.

The following notes were received or given:

June 15. Received of Esten & Clark their note at 10 da. for $100.

18. Gave Arnold & Co. your note at 30 da. for $200.

Exercise 52. Review of Checks and Drafts

For Written Work

Directions. Journalize each transaction, post to the ledger, and take a trial balance. In the ledger, allow five lines for each account.

Use sheets of journal paper and ledger paper.

After completing the work, hand it to the instructor.

June 1. *Student* begins business with the following assets and liabilities:

Merchandise, stock on hand, $2456.10
Cash on hand, $845.20
The following owe you on account:
Frank M. Good, $148.10
James D. Harris, $86.50
Fred D. Wickens, $112.75
Hastings & Co., $136.45
Notes Receivable, J. N. Hensen's note, $225
Notes Payable, in favor of Helm & Co., $150

You owe the following on account:
Wright & Son, $234.60
O'Niel & Co., $115
Keeley & Stacy, $145.65
Richard A. West, $275

Credit the Proprietor for his net investment.

June 2. Receive of Frank M. Good a check, to apply on account, $90.25.

4. The sight draft which you drew on James D. Harris for $86.50 has been collected by your bank.

5. Give Wright & Son a check, to apply on account, $85.

6. Buy at the First National Bank a New York draft. After indorsement, remit it to Helm & Co. in settlement of your note and the interest, in their favor. Face of the note, $150; interest, $1.50.

10. Receive of Fred D. Wickens a sight draft in your favor, drawn on L. M. Mitchell, of your city, for $112.75, to apply on account.

13. The sight draft which you drew on Hastings & Co. for $100 has been collected by your bank.

15. Give Richard A. West a check, to apply on account, $120.

16. Receive of J. N. Hensen a Chicago draft, indorsed to you, for his note and the interest, due to-day. Face of the note, $225; interest, $4.50.

20. Give O'Niel & Co. your check, to apply on account, $75.

25. Receive of Frank M. Good a check, in full of account, $57.85.

26. Give Wright & Son a check, to apply on account, $110.

27. Give Keeley & Stacy a check, to apply on account, $85.

SET H. GENERAL MERCHANDISE

Opening the Set. Observe the following directions:

1. This set is to be written on sheets of journal paper and ledger paper.

2. It is a general merchandise business in which the invoice totals are given, both for the purchases and for the sales.

3. Use the following books: cashbook, journal, purchase book, sales book, and ledger.

4. On the journal sheet, record the journal and the purchase book on page 1, the cashbook on pages 2 and 3, the sales book on page 4.

5. In the ledger, allow five lines for each account, except the *Profit and Loss* account, for which allow ten lines.

6. Ernest B. Faxon is represented as the proprietor.

MEMORANDA OF TRANSACTIONS

May 1. Ernest B. Faxon began a General Merchandise business with the following assets: cash on hand, $1285.40; merchandise, stock on hand, $1536.85; note of A. M. Freeman, in favor of the Proprietor, dated April 20, at 30 da., with interest, $250.

Make a journal entry for the above, and check the cash item.
Record the cash in the cashbook, and check it.

2. Engage Theodore Slayton as clerk at $35 per month.

No entry for the above.

3. Bought of Arden & Race an invoice of merchandise amounting to $322.50. Terms: 10 da.

4. Paid B. N. Halsey cash, for rent of the store for May, $45.

5. Sold H. M. Pierson an invoice of merchandise amounting to $182.50. Terms: 10 da.

6. Sold Chas. S. Earle an invoice of merchandise amounting to $202.50. Terms: cash, less 1%.

8. Bought of Gordon & Co., for cash, office books and supplies, $17.20.

9. Gave Little & Co. a check, for fuel for use in the store, $26.25.

10. Bought of Arthur Bowers an invoice of merchandise amounting to $262.40. Terms: cash, less 1%.

11. Paid cash, for stamps and post cards, $5.

12. Sold Fred T. Lynch an invoice of merchandise amounting to $175.20. Terms: on account.

13. Paid Arden & Race by check, to apply on account, $122.50.

15. Gave Arden & Race a note at 30 da. for $200, to balance their account.

Rule their account.

16. Received of H. M. Pierson a sight draft on Lowney & Co., in favor of the Proprietor, for $100, to apply on account.

17. Received of H. M. Pierson a check for the balance of the invoice of *May 5*.

18. Bought of Hunter & Son an invoice of merchandise amounting to $258.50. Terms: 2/10, n/30.

19. Sold Benj. I. Weed an invoice of merchandise amounting to $156.50. Terms: 1/10, n/30.

20. Received of A. M. Freeman a check for his note and the interest, due to-day. Face of the note, $250; interest for 30 da. at 6%.

May 22. Sold Arthur H. Clay an invoice of merchandise amounting to $201.45. Terms: 10 da.

23. Bought of T. N. Woodson an invoice of merchandise amounting to $194.75. Terms: on account.

24. Gave Theodore Slayton a check for $15, to apply on his monthly salary.

25. Sold Chas. M. Dewey an invoice of merchandise amounting to $198.65. Terms: on account.

26. Bought by check, at the First National Bank, a New York draft and remitted it to Hunter & Son for the net amount of the invoice bought of them on *May 18.*

27. Gave T. N. Woodson a check, to apply on account, for $120.

29. Bought of Loomis Bros. an invoice of merchandise amounting to $248.90. Terms: on account.

29. Received of Benj. I. Weed a Chicago draft for the net amount of the invoice sold to him on *May 19.*

30. Sold Farmer & Co. an invoice of merchandise amounting to $145.55. Terms: 10 da.

30. Prepaid the note given to Arden & Race on *May 15*, less the discount for the time the note has yet to run.

Credit *Interest Earned* for the discount.

31. Gave Theodore Slayton a check, for the balance of his monthly salary, for $20.

31. Gave T. N. Woodson a note at 20 da. for the balance of the invoice bought of him on *May 23.*

Inventories, May 31, 19—

Merchandise	$1871.40
Office Supplies	12.
Fuel	20.

Closing the Set. Proceed as follows:

Rule and foot the different books, and then post.

Take a trial balance, and then make the statements.

Close the ledger. Take a second trial balance.

Pass all work to the instructor.

CHAPTER XVII

ADDITIONAL BUSINESS FORMS AND MISCELLANEOUS EXERCISES

The work of this chapter is purely optional. Many students study bookkeeping only one year, and some instructors deem it wise to give these students such information as this chapter contains, for it is their only opportunity to gain knowledge of this character, which is valuable to every student whether he enters business or professional life.

If a student studies bookkeeping for more than one year, the work in this chapter may be deferred.

MONTHLY STATEMENT OF ACCOUNT

A *statement* of a ledger account is a copy of a customer's account, and also shows the balance remaining unpaid on a given date.

It is a common practice for merchants to send, at the close of each month, to each customer a statement of his account.

The accompanying illustration is the ledger account of Amos T. Harmon on the books of Austin & Son.

The script illustration shows the

Folio 46 STATEMENT OF ACCOUNT

Chicago, Ill., June 1, 19—

Mr. Amos T. Harmon

126 Lake St., City

In account with Austin & Son

May	8	To Mdse.	65	40		
	19	" "	37	25		
	26	" "	87	50	190	15
May	11	By Cash	50	—		
	22	" "	40	50		
	29	" "	62	45	152	95
					37	20
July	1	per statement rendered	37	20		

MODEL STATEMENT OF ACCOUNT

monthly statement for May, which was rendered June 1; below it is given the first line of the statement for the month of June, which will be rendered July 1. The first line reads *per statement rendered*, and this makes unnecessary a repetition of the debit and the credit items on the preceding statement.

Exercise 53. Monthly Statements of Accounts

For Written Work

As drill work for the student he may make monthly statements of the accounts of any customers from his own ledger, if one is available, always selecting accounts in which the debit side is the larger, or he may make up ledger accounts for a few statements.

COMPARING THE CHECK BOOK WITH THE MONTHLY BANK STATEMENT

Observe the following suggestions:

1. Arrange the canceled checks for the month in the order of their numbers.

2. Compare each canceled check with the corresponding stub; if they agree as to the number, the date, the amount, to whom given and for what purpose, place a large check mark on the stub. This check mark indicates that the check has been returned.

3. If all the stubs are checked, the balance shown by the check book will agree with the balance shown by the monthly bank statement, if no other charges have been made.

4. If the balances do not agree, find the total of the stubs not checked. This sum should equal the difference between the check book and the balance shown by the monthly bank statement.

NOTE. If at the time of making this comparison any outstanding checks of a previous month have been returned, they must be checked with the stubs from which they were detached.

BILLS OF LADING

As a means of serving the convenience of both the shippers and the railway companies, the Interstate Commerce Commission approved a uniform bill of lading, for general use, June 27, 1908. This approval applies to two forms of the bill of lading as follows: the *straight* bill of lading and the *order* bill of lading.

In this discussion only the straight bill of lading is considered.

Uniform Bill of Lading—Standard form of Straight Bill of Lading approved by the Interstate Commerce Commission by Order No. 787 of June 27, 1908

THE COMMERCIAL TRANSPORTATION CO.

STRAIGHT BILL OF LADING—ORIGINAL—NOT NEGOTIABLE

Shipper's No._____

Agent's No. _____

RECEIVED, subject to the classifications and tariffs in effect on the date of issue of this Original Bill of Lading,

at Springfield, Mass. July 5, 19—,

from C. H. Williams the property described below, in apparent good order, except as noted (contents and condition of contents of packages unknown), marked, consigned and destined as indicated below, which said Company agrees to carry to its usual place of delivery at said destination, if on its road, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed, as to each carrier of all or any of said property over all or any portion of said route to destination, and as to each party at any time interested in all or any of said property, that every service to be performed hereunder shall be subject to all the conditions, whether printed or written, herein contained (including conditions on back hereof) and which are agreed to by the shipper and accepted for himself and his assigns.

The Rate of Freight from_____

to_____ is in Cents per 100 lbs.

IF.. Times 1st	IF 1st Class	IF 2d Class	IF Rule 25	IF 3d Class	IF Rule 26	IF Rule 28	IF 4th Class	IF 5th Class	IF 6th Class	IF Special per_____	IF Special per_____

Consigned to Jas. W. Masten & Co. (Mail address—Not for purposes of Delivery)

Destination Buffalo State of N. Y. County of _____

Route_____ Car Initial_____ Car No._____

NO. PACKAGES	DESCRIPTION OF ARTICLES AND SPECIAL MARKS	WEIGHT (Subject to Correction)	CLASS OR RATE	CHECK COLUMN	If charges are to be prepaid, write or stamp here, "To be prepaid."
100	Roman Chairs	1000			
100	Fancy Rockers	2000			Received $_____ to apply in prepayment of the charges on the property described hereon.
50	Cedar Chests	1750			Agent or Cashier
					Per_____ (The signature here acknowledges only the amount prepaid)
					Charges Advanced: $_____

C. H. Williams Shipper Geo. M. Lintz Agent

Per_____ Per_____

(This Bill of Lading is to be signed by the shipper and agent of the carrier issuing same)

MODEL BILL OF LADING

This model shows a bill of lading made out properly by the shipper. Those blank spaces which are not filled out in the model may be filled out by the representative of the railroad, if the circumstances of the particular shipment call for such information being shown

For use in connection with the Standard form of Straight Bill of Lading approved by the Interstate Commerce Commission by Order No. 787 of June 27, 1908

THE COMMERCIAL TRANSPORTATION CO.

THIS MEMORANDUM is an acknowledgment that a Bill of Lading has been issued and is not the Original Bill of Lading, nor a copy or duplicate, covering the property named herein, and is intended solely for filing or record.

Shipper's No._____

Agent's No._____

RECEIVED, subject to the classifications and tariffs in effect on the date of the receipt by the carrier of the property described in the Original Bill of Lading,

at Springfield, Mass. July 5, 19—

from C. H. Williams the property described below, in apparent good order, except as noted (contents and condition of contents of packages unknown), marked, consigned and destined as indicated below, which said Company agrees to carry to its usual place of delivery at said destination, if on its road, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed, as to each carrier of all or any of said property over all or any portion of said route to destination, and as to each party at any time interested in all or any of said property, that every service to be performed hereunder shall be subject to all the conditions, whether printed or written, herein contained (including conditions on back hereof) and which are agreed to by the shipper and accepted for himself and his assigns.

The Rate of Freight from_____

to_____ is in Cents per 100 lb.

IF.. Times 1st	IF 1st Class	IF 2d Class	IF Rule 25	IF 3d Class	IF Rule 26	IF Rule 28	IF 4th Class	IF 5th Class	IF 6th Class	IF Special per_____	IF Special per_____

MODEL MEMORANDUM (HEADING)

For use in connection with the Standard form of Straight Bill of Lading approved by the Interstate Commerce Commission by Order No. 787 of June 27, 1908

THE COMMERCIAL TRANSPORTATION CO.

THIS SHIPPING ORDER must be legibly filled in, in ink, in indelible pencil, or in carbon, and retained by the agent.

Shipper's No. _____

Agent's No. _____

RECEIVE, subject to the classifications and tariffs in effect on the date of issue of this Shipping Order,

at Springfield, Mass., July 5, 19—,

from C. F. Williams the property described below, in apparent good order, except as noted (contents and condition of contents of packages unknown), marked, consigned and destined as indicated below, which said Company agrees to carry to its usual place of delivery at said destination, if on its road, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed, as to each carrier of all or any of said property over all or any portion of said route to destination, and as to each party at any time interested in all or any of said property, that every service to be performed hereunder shall be subject to all the conditions, whether printed or written, herein contained (including conditions on back hereof) and which are agreed to by the shipper and accepted for himself and his assigns.

The Rate of Freight from _____

to _____ is in Cents per 100 lb.

IF Times 1st	IF 1st Class	IF 2d Class	IF Rule 25	IF 3d Class	IF Rule 26	IF Rule 28	IF 4th Class	IF 5th Class	IF 6th Class	IF Special per_____	IF Special per_____

MODEL SHIPPING ORDER (HEADING)

NOTE. Bills of lading were lacking in uniformity until a final decision of the Interstate Commerce Commission regarding them was secured. Previous to this they were so varied in size and form as to occasion much confusion and a consequent loss of time.

To obviate these difficulties, business men appealed to the Interstate Commerce Commission to issue an order that would require a uniform bill of lading for all shipments.

This request resulted in many conferences between the shippers, the transportation companies, and the Commission, with the result shown in the form of the bill of lading here illustrated.

The straight bill of lading is drawn up in a set of three papers, duplicates being made by using carbons, as follows: the straight bill of lading, original; the memorandum, an acknowledgment that a bill of lading has been issued; the shipping order. *This form is not negotiable*, and must be printed on white paper. The shipping order is signed by the shipper only, while the others are signed by both the shipper and the agent of the railway company. The shipping order is left with the agent; the bill of lading is sent to the purchaser of the goods; the memorandum is retained by the seller. The goods may be delivered to the purchaser without his surrender of the bill of lading.

A *bill of lading* is a receipt of a transportation company, containing an account of the goods shipped and the conditions of shipment.

As the bill of lading is drawn up in triplicate, each party — the shipper, the transportation company, and the consignee — has an exact copy of the receipt.

Study the preceding model bill of lading and answer the following questions:

Who is the shipper? Who is the consignee of the goods named? What is done with the original copy? the memorandum? the shipping order? By whom is the bill of lading made out?

KINDS OF NOTES

Joint Note. An individual note is a note in which one person is responsible for its payment. If in such a note the pronoun *we* were used in the body of the note, instead of *I*, and if it were signed by Samuel A. Long and George M. Watson, it would then be a joint note; both of the signers would be responsible jointly, not individually, for payment.

Joint and Several Note. If this same note should read *Ninety days after date we jointly and severally promise to pay*, and it were signed by Samuel A. Long and George M. Watson, it would then be called a *joint and several* note; each party, individually, would be responsible for its payment, or both parties, jointly, would be responsible.

In a partnership each member of the firm may sign the notes issued by the firm, thus making the notes of a partnership joint notes. This practice is not common in all states.

Interest-Bearing Note. If a note bears interest, it must be so stated in the note, and it is excellent business practice always to name the rate; that is, instead of writing *with interest*, write *with interest at 5%*.

If no rate of interest is stated in the body of the note, the legal rate is understood.

Discount of Notes. Holders of notes often wish to secure their payment before they are due, and many notes are offered for discount at banks. Generally the notes thus offered are non-interest-bearing, but notes that bear interest may be offered for discount. A person who sells a note to a bank must indorse it.

If a note for $216.50, due Aug. 12, were offered by the holder, Arthur T. Young, for discount on June 13, and it was discounted by the bank, the holder would receive the face value of the note less the interest for the time between June 13 and the maturity of the note, Aug. 12, 60 da. In journal form the following would be the entry:

Cash	214.33	
Interest Paid	2.17	
Notes Receivable		216.50

The compensation received by the bank is the interest on the note for the time it has yet to run, — 60 da.

If an interest-bearing note is discounted by a bank, the entry by the holder is not the same as for a non-interest-bearing note.

Suppose you have an interest-bearing note dated March 1, at 60 da., for $800, with interest at 6%.

In discounting this note the value at maturity, that is, the face plus the interest for 60 da., is the sum on which the discount is reckoned.

If this note is discounted March 31, make the following entry:

	Cash	803.96		
	Interest Paid	4.04		
	Notes Receivable			800
	Interest Earned			8

The credits are the face of the note and the interest for the full time, — in this note, 60 da. The discount, the time from March 31 to April 30 (30 da.), is the period for which the discount is reckoned.

The interest on \$800 for 60 da. at 6% is \$8; the sum of the face of the note and this interest is \$808. The interest on \$808 for 30 da. is \$4.04, and the cash received by the holder is \$803.96.

Exercise 54. Discount of Notes

For Written Work

Make the proper entries for discounting the following notes:

1. A note dated Jan. 1, at 60 da., without interest, for \$300. Discounted on Feb. 1, at 6%.

2. A note dated April 1, at 2 mo., with interest, for \$600. Discounted on May 2, at 6%.

3. A note dated June 1, at 3 mo., without interest, for \$500. Discounted on July 24, at 6%.

4. A note dated May 26, at 30 da., without interest, for \$250. Discounted on May 26, at 6%.

5. A note dated March 1, at 2 mo., with interest, for \$420. Discounted on April 1, at 6%.

PARTIAL PAYMENTS

When a part of the face value of a note is paid, it is called a *partial payment.* This amount is indorsed on the back of the note.

ILLUSTRATION. A note for \$1000 for 1 yr. is dated Jan. 1, 1918. On the back of this note are the following indorsements of partial payments:

Received 4/1/18, \$250
Received 7/1/18, \$200

The partial payments noted above would be journalized as follows:

April	1	Cash	250	
		Notes Receivable		250
July	1	Cash	200	
		Notes Receivable		200

If the *Notes Receivable* account were debited for $1000, after posting the preceding entries the account would show the balance unpaid.

The above statement makes no reckoning of the interest whatsoever.

Exercise 55. Partial Payments

For Written Work

Indicate the correct indorsement, and make the proper entry for the following partial payments:

1. A note for $750 for 1 yr. was dated March 1, 1918. The following payments were made on this note: June 1, 1918, $225; Sept. 1, 1918, $150; Nov. 1, 1918, $200.

2. A note for $800 for 10 mo. was dated Feb. 16, 1918. The following payments were made on this note: May 1, 1918, $250; Aug. 10, 1918, $300; Oct. 1, 1918, $150.

RENEWAL OF NOTES

The renewal of notes is common in business. A man borrows a sum of money and issues his note. When this note becomes due, if he lacks funds to pay it, he may issue a new note for the original one and pay the interest on the original note in cash. When the original note was issued, the borrower would make the following entry:[1]

Jan.	1	Cash	200		
		Notes Payable			200
		Borrowed of the First National Bank the sum of $200, and gave my note at 2 mo., with interest.			

When the new note is issued he would make the following entry:

Mar.	1	Notes Payable	200		
		Notes Payable			200
		Note at 2 mo., with interest, given to the First National Bank to cancel the note of Jan. 1.			

The original note should be marked *Paid* in the notebook.

By this entry and record the books show that the original note has been disposed of and the new note has been entered as a complete and independent record.

[1] If interest is paid in advance, this entry would be modified.

If a partial payment had been made on the original note, the new note would be issued for the balance remaining unpaid.

Some bookkeepers mark the original note, in the notebook, as renewed and do not make any entry or additional record for the new note. This practice is open to the objection of making one note of a given date the record of another note of a different date. If a partial payment had been made on the original note, the practice of marking it as renewed is open to a still more serious objection; that is, the face of the new note is not the same as in the original note.

TRADE DISCOUNT

Trade discount is a discount allowed from the published catalogue and list price which enables a concern to change the selling price by altering the trade discount rather than by changing the published price. Trade discount usually is deducted before the invoice cost is entered in the books. To illustrate, the list price of an article may be \$25, less a trade discount of 60%, 10%, and 5%. The actual invoice cost, the amount at which it is entered in the books, is \$8.55, obtained as follows: \$25 (list price) less 60% = \$10; \$10 less 10% = \$9; \$9 less 5% = \$8.55, the selling price of the article.

If it became necessary to increase the selling price to \$9, the list price of \$25 may be retained, but the percentages of the trade discount changed to 60% and 10%.

Exercise 56. Discounts

For Written Work

1. The catalogue price of an article is \$50; the trade discount is 40%, 20%, 10%, and 5%. What is the invoice cost?

2. What would be the invoice cost of the article in problem 1 if the trade discount were changed to 40%, 20%, 5%, and $2\frac{1}{2}$%?

3. The trade discount allowed on an article listed at \$6.50 is 75%, 20%, 10%, 2%, and $\frac{1}{2}$%. What is the invoice cost of the article?

4. What would be the invoice cost of the article in problem 3 if the trade discount were changed to 75%, 20%, 10%, and 5%?

Merchandise discount, allowed on an invoice for payment within a specified time, should not be confused with trade discount. If both trade discount and merchandise discount were allowed upon a purchase, the merchandise discount is calculated upon the invoice cost, after the trade discount has been deducted.

5. What would be the merchandise discount in problem 1 if the terms were 3/10, and the invoice were paid within the specified 10 da.?

CHAPTER XVIII

SET V. JOBBING FURNITURE BUSINESS

OPENING DOUBLE-ENTRY BOOKS

The ability to open a set of books is of special importance to every student of bookkeeping.

When business is begun with a simple cash investment, as has frequently been illustrated in the earlier pages of the text, the entry is easily understood.

In the present illustrative examples both assets and liabilities are used at the time the books are opened; hence it is well to state the principle which governs in these opening entries, as follows:

Debit each asset, under its appropriate name, and credit the Proprietor for the total assets.

Credit each liability, under its appropriate name, and debit the Proprietor for the total liabilities.

The student is requested to give special attention to the following exercise, as it illustrates the opening entries that will be used in subsequent sets.

The following example illustrates the opening of double-entry books when the Proprietor begins business with both assets and liabilities:

W. D. Fain began the Jobbing Furniture business July 1, with the following assets and liabilities:

Cash in drawer, $2500
Merchandise, stock on hand, $1600
Jas. R. Milem's note, $500
Real Estate, store lot, $1000
Building and Fixtures, inventory, $4000
Delivery Equipment, inventory, $325
Office Furniture, inventory, $260
The following owed him on account:
  Wm. K. Duffy, $1240
  F. E. Bush, $400
  C. O. Bond, $300
He owed the following on account:
  Ralph Dewey, $400
  Arthur Lehan, $1600
His note in favor of Chas. B. Hawley, $1387

The following is the entry for these assets and liabilities:

Madison, Wis., July 1, 19—

			I, W. D. Fain, have this day begun the Jobbing Furniture business with the following assets and liabilities:		
July	1	C. B.	Cash	2500	
			Notes Receivable	500	
			Wm. K. Duffy	1240	
			F. E. Bush	400	
			C. O. Bond	300	
			Mdse. Inventory	1600	
			Real Estate	1000	
			Building and Fixtures	4000	
			Office Furniture	260	
			Delivery Equipment	325	
			W. D. Fain, Investment		12125
			To credit the amount of these assets to *W. D. Fain's Investment* account.		
			W. D. Fain, Investment	3387	
			Notes Payable		1387
			Ralph Dewey		400
			Arthur Lehan		1600
			To debit the amount of these liabilities to *W. D. Fain's Investment* account.		

The cash item should also appear on the left side of the cashbook as follows:

July	1	J.	W. D. Fain	Investment	2500		

NOTE. The cash item is checked *C. B.* in the journal because it has been placed to the debit of the *Cash* account by the above record.

W. D. Fain's Investment account has been checked *J.* in the cashbook because this item has been counted in determining the total assets in the journal.

Exercise 57. Opening Double-Entry Books

For Written Work

On a sheet of journal paper or on paper ruled in journal form make entries for the following:

1. Chas. R. Osgood began the Furniture business July 1, with the following assets and liabilities:

Cash in drawer, $1700
Deposit in The Union Bank, $954.20
Chas. R. Dean's note, $500
Merchandise, stock on hand, $2600
The following owed him on account:
A. B. Knowlton, $1200
George K. Brown, $150
He owed the following on account:
Foster, Hills & Co., $250
Traver, Bowe & Co., $300
His note in favor of M. B. Hanway, $600

2. James B. Ellis began business July 1, with the following assets and liabilities:

Cash in drawer, $2000
Deposit in The Union Bank, $876.45
Merchandise, stock on hand, $1300
F. M. Everett's note, $1200
Office Furniture, inventory, $130
Delivery Equipment, 1 auto truck, $650
Real Estate, lot at 1625 Main St., $900
Building and Fixtures, inventory, $3600
The following owed him on account:
E. T. Rose, $145.60
M. M. Parsons, $236.75
Daniel F. Mack's note, $425
He owed the following on account:
Geo. L. Works, $212
A. C. Moore, $87.65
His note in favor of H. C. Baker, $250

3. Howard A. Johnson began business July 1, with the following assets and liabilities:

Cash in drawer, $1750
Deposit in The Union Bank, $1278.50
Merchandise, stock on hand, $3875.40
He held notes against the following:
John S. Gray, $625
A. S. Coleman, $450
Real Estate valued at $1000
Building and Fixtures, inventory, $4000
His note in favor of W. A. Brown, $516.50
He owed the following on account:
Samuel B. Lewis, $265
French & Co., $376.40
Office Furniture, inventory, $130

PRELIMINARY EXPLANATIONS

Object of the Set. This set is designed to illustrate the Jobbing Furniture business. A variety of advanced business forms is illustrated and explained, and a new book of record is used. The transactions deal largely with commercial paper, and the actual handling of money is avoided as far as possible. Notes, drafts, and acceptances, and the relations existing between the parties connected therewith, are made a prominent feature of the work.

Books Used. In addition to the books with which the student is already familiar, the notebook is introduced.

Notebook. This book is used for recording memoranda regarding all notes or acceptances which are received by the business, or which are issued by the business. It is generally divided into two parts, one for notes receivable and the other for notes payable. When notes or acceptances are received or issued, a full description of the paper

NOTES

No.	Drawee or Maker	Drawer or Indorser	For what Received	Where Payable	Date Drawn	Date Accepted
1	J. B. Maxwell		On account	Union Bank	June 30	
2	W. D. Rimbach	J. B. Topham	On account	Union Bank	June 8	June 9
3	Walker, Brown & Co.	Student's name	Inv. July 8		July 8	July 9

NOTES

No.	To whom Payable	For whose Account	For what Issued	Where Payable	Date Drawn	Date Accepted
1	Allen & Bailey Furn. Co.		In full of acct.	Union Bank	June 25	
2	C. O. Boswell	C. O. Boswell	In full of acct.	Union Bank	June 20	June 25
3	Derby Mfg. Co.	Derby Mfg. Co.	Inv. July 9	Union Bank	July 9	July 9

MODEL NOTEBOOK, SET V (LEFT-HAND PAGE)

should be recorded in the notebook. This book should exhibit the same balances as the *Notes Receivable* and the *Notes Payable* accounts in the ledger.

The *model notebook* given below is self-explanatory. Care should be taken to record in the proper columns the information called for. Complete records for the first two notes receivable and notes payable for the month of July, as given on page 208, are properly entered in this model, and a partial record is given for a third note receivable and a third note payable.

Purchase Book. All invoices of goods purchased will be recorded in the purchase book.

Record each invoice when received, always at its *face value*, as no discount allowance will appear on the invoice itself, and then file the bill in the *filing envelope*. On the outside of this envelope full instructions are printed.

The closing and the posting will be explained at the end of July.

RECEIVABLE

TIME	DATE DUE		AMOUNT	DATE DISCOUNTED	DATE SENT TO COLLECT	DATE PAID		HOW PAID	REMARKS
			Int.						
20 da.	July	20	500		July 18	July	20	Paid at bank	
30 da.		9	450		8		9	Paid at bank	
30 da.	**	*	***		*	**	*	* * *	

PAYABLE

TIME	DATE DUE		AMOUNT		DATE PAID		HOW PAID	REMARKS
			Int.					
1 mo.	July	25	2500		July	25	By check	
30 da. sight		25	1000			25	By check	
10 da. sight		*	***	**		*	* *	

MODEL NOTEBOOK, SET V (RIGHT-HAND PAGE)

Cashbook. In the cashbook for this set (see below), columns are provided on the debit side for *Net Cash*, *Discount on Sales*, *Accounts Receivable*, and *General*. All cash received is entered in the *Net Cash* column; if the amount is *not* for merchandise sold, extend the amount to the *General* column; if the amount is for merchandise sold, the discount on the invoice is entered in the *Discount on Sales* column; then the sum of the net cash and sales discount is entered in the *Accounts Receivable* column.

Columns are provided on the credit side for *Net Cash*, *Discount on Purchases*, *Accounts Payable*, and *General*. All cash paid is entered in the *Net Cash* column; if the amount is *not* for merchandise purchased, extend the amount to the *General* column; if the amount is for merchandise purchased, the discount on the invoice is entered in the *Discount on Purchases* column; then the sum of the net cash and purchase discount is entered in the *Accounts Payable* column.

When proving cash, use only the *Net Cash* column on either side.

This is a self-balancing cashbook, as the sum of the first and second columns on either side should equal the sum of the third and fourth columns.

Post all amounts from the *Accounts Receivable*, *Accounts Payable*, and *General* columns in the usual manner.

Cash Received, July, 19—

Date		F.			Net Cash		Disc. on Sales		Accts. Rec.		General	
July	1	J.	J. H. Sampson	Investment	6000						6000	
	8	1	J. E. Bender	Inv. 7/7, less 3%	1169	09	36	16	1205	25		
	12	2	C. W. Gray	Inv. 7/5	1240	10			1240	10		
	16	1	Notes Rec.	Morgan's note	560						560	
	20	6	Int. Earned	On above	5	60					5	60
	25	2	C.O.D. Accts.	C. B. Moore	50				50			
	30	2	J. O. Brown	Inv. 6/12, less 1%	1247	40	12	60	1260			
					10272	19	48	76	3755	35	6565	60
					(1)		(6)					
Aug.	1	✓	Balance	In bank	3667	09					3667	09

LEFT-HAND PAGE OF CASHBOOK, SET V

Under *Cash Received* post the total of the *Net Cash* column to the debit of *Cash* in the ledger, and the footing of the *Discount on Sales* column to the debit of *Merchandise Discount on Sales* in the ledger.

Under *Cash Paid* post the total of the *Net Cash* column to the credit of *Cash* in the ledger, and the total of the *Discount on Purchases* column to the credit of *Merchandise Discount on Purchases* in the ledger.

The figure in the circle, just below the column footing, indicates the ledger folio.

When the cash balance is carried forward for a succeeding month, enter it in the *Net Cash* and *General* columns, under *Cash Received*, and draw a light line underneath the amount in each column. This balance must be used in proving cash, but it must not be used in footing either the *Net Cash* or the *General* columns.

Selling Price Lists. Twenty-five selling price lists are available for this set, and each one may be used in connection with the business forms, whether business practice is used or not. (See pages 200–203.)

Let the instructor assign to each student a price list, and if business practice is used, he should be given the necessary blank forms.

Buying Price List. The prices at which merchandise is bought in this set are given in the list on page 204.

Cash Paid, July, 19—

Date		F.			Net Cash		Disc. on Purch.		Accts. Pay.		General	
July	1	6	Rent Paid	For July	150						150	
	1	3	Office Furn.	Office safe	250						250	
	1	7	Insurance	Premium	120						120	
	3	3	J. O. Moran	Sight draft paid	200				200			
	6	4	Bates & Co.	Inv. 7/6, less 2%	1176		24		1200			
	9	4	Allen & Co.	Inv. 7/6, less 2%	852	60	17	40	870			
	16	8	Sund. Gen. Exp.	Telegram	1						1	
	16	8	Office Supplies	Stationery	4	50					4	50
	18	3	Notes Pay.	Accept. favor King	900						900	
	20	5	J. K. Levy	Sight draft paid	1100				1100			
	21	5	Stoddard & Co.	Inv. 7/10, less 2%	1176		24		1200			
	23	3	Notes Pay.	Favor E. C. Ellis	500						500	
	23	8	Interest Paid	On above	5						5	
	26	7	Salaries	For the mo.	160						160	
	27	7	Fr't & Cart. Out	For the mo.	10						10	
					6605	10	65	40	4570		2100	50
					①		④					

RIGHT-HAND PAGE OF CASHBOOK, SET V

SELLING PRICE LISTS FOR JULY, AUGUST, AND SEPTEMBER

Article and Description		1	2	3	4	5
No. 3116	Antique Card Table	$19.75	$13.50	$15.00	$17.50	$24.00
" 2546	Antique Library Rocker	12.00	29.25	11.75	22.00	13.50
" 693	Antique Wardrobe	25.75	27.50	29.50	28.75	22.90
	Blue Chenille Curtain	5.00	5.00	5.00	5.00	5.00
" 16 B	Brass Easel	15.00	15.00	11.75	13.00	12.00
" 635	Brass Bedstead	22.50	24.00	21.50	23.00	21.69
" 15	Cane-seat Dining Chair	2.25	1.85	1.75	2.22	2.69
" 59 A	Cheval Glass	21.25	21.99	22.00	20.50	19.75
" 71 A	Child's Crib	15.75	9.50	16.79	15.65	18.50
" 10	China Closet	25.00	24.50	39.00	19.90	14.50
" 20	Corner Chair	26.00	26.00	26.00	26.00	26.00
" 245	Cedar Chest	11.00	19.00	9.50	9.65	6.25
" 16 A	Complete Dining-room Set	110.00	98.00	90.50	110.00	95.00
" 572	Drawing-room Suite	100.00	152.25	175.00	125.00	92.50
" 170	English Clothes Pole	5.50	4.10	3.60	3.15	3.15
" 5932	Empire Toilet Table	50.00	39.75	33.75	39.75	27.00
" 3016	Fancy Rocker	10.00	10.00	10.00	8.50	9.75
" 36 B	Gentleman's Chiffonier	10.00	9.00	17.25	22.50	15.90
" 6387	Hall Settle	23.25	19.25	21.00	22.00	17.75
" 16 K	Leather-seat Dining Chair	9.50	9.00	7.50	9.50	8.00
" 169 C	Library Table	25.00	23.75	21.50	15.00	39.00
" 91	Lace Curtain	6.00	6.00	6.00	6.00	6.00
" 16	Lady's Dressing Cabinet	40.00	23.50	35.00	39.50	38.50
" 835	Music Cabinet	5.00	9.00	10.00	6.00	3.00
" 50	Mahogany Parlor Table	21.25	20.00	19.25	15.00	12.50
" 626	Mahogany Office Chair	16.50	17.25	19.00	13.50	11.75
" 396	Mahogany Hall Stand	65.00	65.00	65.00	65.00	65.00
" 89	Mahogany Chamber Set	80.00	75.00	112.50	60.00	149.50
" 1008	Oak Sideboard	195.00	145.00	135.00	120.00	117.50
" 2229	Oak Dining Table	12.25	12.00	10.00	15.00	12.75
" 73	Oak Writing Desk	10.00	14.75	18.59	15.00	11.50
" 68	Oak Bookcase	9.75	9.75	9.75	9.75	9.75
" 76 A	Oak Chamber Set	14.25	14.25	14.25	14.25	14.25
" 687	Ornamental Table	5.25	12.00	10.00	9.50	4.50
" 20 D	Parlor Cabinet	37.00	43.50	50.00	65.00	35.00
" 821	Parlor Lamp	16.00	10.00	9.50	7.50	11.50
" 176 C	Piano Chair	17.00	9.00	6.00	9.50	13.00
" 57	Reclining Couch	28.00	21.00	21.50	17.50	14.50
" 17 A	Roman Chair	18.75	18.75	18.75	18.75	18.75
" 73	Sofa Bed	38.00	15.50	19.75	20.00	21.00
" 5926	Secretary Book Cabinet	92.00	137.50	139.50	75.00	65.00
" 65	Turkish Rocker	24.75	22.00	25.00	15.00	18.00
" 27 C	Woven-wire Mattress	3.25	3.00	2.50	4.00	5.00
" 16	Wool Mattress	4.00	3.00	3.00	2.75	2.90
" 495	White Iron Bedstead	5.00	4.00	5.00	5.50	6.50

SELLING PRICE LISTS FOR JULY, AUGUST, AND SEPTEMBER

6	7	8	9	10	11	12	13
$19.00	$16.50	$20.50	$23.20	$24.00	$15.00	$18.50	$19.50
12.25	17.00	22.00	13.25	12.00	19.25	26.00	27.25
24.50	26.75	28.00	29.00	27.50	29.50	24.00	30.00
5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
13.50	12.25	14.00	14.50	17.00	11.00	12.75	14.75
22.00	23.50	22.50	20.00	21.50	21.75	22.25	23.25
2.10	2.45	1.90	2.45	2.50	1.80	2.20	2.00
21.00	21.25	22.00	22.50	19.00	20.50	21.50	19.50
15.00	12.70	14.50	13.75	10.40	12.70	18.00	18.50
24.00	26.50	17.75	19.50	14.00	12.80	32.50	24.50
26.00	26.00	26.00	26.00	26.00	26.00	26.00	26.00
11.50	9.75	10.00	9.50	7.75	16.00	15.50	12.50
105.00	97.50	112.50	95.00	100.00	90.00	94.50	110.00
97.50	100.00	115.00	102.50	92.50	120.00	135.00	137.50
4.00	5.20	3.65	3.00	4.25	5.00	5.25	3.50
32.50	50.00	40.00	42.50	35.00	27.50	27.00	36.50
8.00	10.00	8.50	9.00	9.50	8.25	9.25	10.25
15.00	12.50	13.50	17.50	16.00	11.50	12.50	22.00
17.50	23.25	21.00	17.75	22.50	19.75	18.50	17.00
9.00	7.20	8.50	7.50	8.40	9.50	8.00	7.00
23.50	25.00	27.50	29.00	31.00	32.50	22.50	19.00
6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
35.00	25.00	27.00	33.50	38.00	25.00	34.00	39.20
5.50	6.00	5.00	7.00	6.50	9.00	10.00	8.75
20.00	21.25	19.50	13.00	15.50	17.50	19.25	15.00
15.00	12.60	16.40	14.50	18.50	17.00	15.00	11.50
65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00
95.00	140.00	87.50	90.00	100.00	75.00	110.00	105.50
150.00	125.00	145.00	120.00	135.00	137.50	120.00	160.00
12.00	16.00	10.50	13.25	11.00	13.20	11.00	13.20
13.00	17.50	11.00	14.00	10.50	12.40	18.00	17.00
9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75
14.25	14.25	14.25	14.25	14.25	14.25	14.25	14.25
6.50	7.00	5.00	4.50	8.00	7.50	9.00	10.00
40.00	37.50	50.00	52.50	60.00	62.00	65.00	63.50
8.00	7.50	12.50	15.00	13.50	12.00	10.50	14.00
10.00	12.00	14.50	9.50	8.50	13.00	11.00	9.50
20.00	27.00	18.00	14.50	16.20	15.90	21.50	25.00
18.75	18.75	18.75	18.75	18.75	18.75	18.75	18.75
22.00	35.00	21.20	24.60	30.50	22.70	16.25	28.00
100.00	96.00	125.00	132.50	91.50	124.00	110.00	112.50
21.00	16.25	14.75	24.20	18.75	19.40	22.50	23.00
3.50	4.00	3.75	4.50	5.00	5.50	2.50	3.25
3.00	4.00	2.90	3.25	2.70	3.20	4.00	3.00
5.00	4.00	6.00	4.50	5.25	6.25	4.25	6.20

SELLING PRICE LISTS FOR JULY, AUGUST, AND SEPTEMBER

	Article and Description	14	15	16	17
No. 3116	Antique Card Table	$21.60	$13.50	$16.50	$20.00
" 2546	Antique Library Rocker	14.50	18.00	26.00	17.50
" 693	Antique Wardrobe	25.00	26.00	25.00	27.50
	Blue Chenille Curtain	5.00	5.00	5.00	5.00
" 16 B	Brass Easel	12.50	16.00	13.00	15.00
" 635	Brass Bedstead	21.00	20.50	24.00	21.50
" 15	Cane-seat Dining Chair	1.75	1.95	2.00	2.90
" 59 A	Cheval Glass	23.00	23.50	21.50	24.25
" 71 A	Child's Crib	16.75	16.40	15.75	17.25
" 10	China Closet	27.50	30.00	25.00	33.60
" 20	Corner Chair	26.00	26.00	26.00	26.00
" 245	Cedar Chest	14.25	10.75	11.20	15.00
" 16 A	Complete Dining-room Set	88.50	94.25	106.00	91.50
" 572	Drawing-room Suite	96.50	99.50	152.25	125.00
" 170	English Clothes Pole	3.60	4.20	4.30	5.40
" 5932	Empire Toilet Table	34.00	28.50	40.00	37.50
" 3016	Fancy Rocker	10.00	9.75	8.00	9.50
" 36 B	Gentleman's Chiffonier	20.00	21.50	16.40	21.20
" 6387	Hall Settle	17.50	20.00	17.50	19.00
" 16 K	Leather-seat Dining Chair	8.75	9.50	9.50	7.70
" 169 C	Library Table	25.00	35.00	25.50	23.00
" 91	Lace Curtain	6.00	6.00	6.00	6.00
" 16	Lady's Dressing Cabinet	32.00	30.00	34.00	31.50
" 835	Music Cabinet	4.50	7.00	5.50	7.00
" 50	Mahogany Parlor Table	21.00	18.00	20.00	17.50
" 626	Mahogany Office Chair	12.00	15.50	12.50	14.50
" 396	Mahogany Hall Stand	65.00	65.00	65.00	65.00
" 89	Mahogany Chamber Set	112.50	125.00	85.00	142.00
" 1008	Oak Sideboard	150.00	130.00	125.00	147.50
" 2229	Oak Dining Table	14.00	12.50	12.50	14.90
" 73	Oak Writing Desk	15.50	16.50	13.75	17.50
" 68	Oak Bookcase	9.75	9.75	9.75	9.75
" 76 A	Oak Chamber Set	14.25	14.25	14.25	14.25
" 687	Ornamental Table	9.50	8.50	10.00	7.50
" 20 D	Parlor Cabinet	45.00	47.50	50.00	43.50
" 821	Parlor Lamp	16.00	10.00	8.25	10.50
" 176 C	Piano Chair	7.00	10.00	9.50	13.00
" 57	Reclining Couch	27.50	20.50	21.40	27.90
" 17 A	Roman Chair	18.75	18.75	18.75	18.75
" 73	Sofa Bed	16.00	19.75	22.50	31.50
" 5926	Secretary Book Cabinet	75.00	65.00	80.00	90.00
" 65	Turkish Rocker	20.00	23.75	22.00	16.60
" 27 C	Woven-wire Mattress	4.20	2.50	2.75	3.45
" 16	Wool Mattress	2.90	3.00	2.90	4.00
" 495	White Iron Bedstead	5.50	4.70	4.90	4.40

SELLING PRICE LISTS FOR JULY, AUGUST, AND SEPTEMBER

18	19	20	21	22	23	24	25
$15.20	$22.00	$21.50	$24.00	$23.50	$18.00	$19.50	$22.50
22.00	16.00	24.00	19.00	28.20	21.60	26.40	30.00
26.00	24.00	29.00	28.00	22.50	27.50	22.90	25.00
5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
15.40	11.50	14.20	16.25	13.25	12.00	13.40	14.50
20.00	23.00	21.00	21.40	23.50	21.75	22.25	20.50
1.80	2.30	1.90	2.40	2.30	1.70	1.95	2.25
23.00	20.00	19.00	19.50	23.50	19.75	22.00	22.50
15.40	10.70	12.40	13.75	16.20	9.90	11.75	12.90
37.50	17.50	18.50	26.70	24.90	23.20	15.00	17.20
26.00	26.00	26.00	26.00	26.00	26.00	26.00	26.00
7.50	6.75	8.90	14.20	18.00	12.60	13.75	14.50
96.40	100.00	89.50	92.00	98.00	97.50	109.20	107.00
100.00	160.00	142.50	94.50	102.50	99.50	110.00	120.00
3.90	3.75	4.60	4.40	5.50	4.20	3.10	3.35
27.50	35.00	29.50	33.50	28.00	35.50	45.00	50.00
10.00	9.75	8.50	9.25	10.50	8.25	10.25	9.00
22.00	23.00	15.40	13.90	12.50	9.90	10.50	11.80
21.00	22.50	23.25	20.00	19.75	17.75	20.50	23.00
6.45	9.20	8.80	7.60	9.30	9.50	8.50	9.00
27.00	22.50	30.00	31.50	28.00	21.00	17.50	35.00
6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
24.50	23.90	26.20	32.00	39.00	37.50	39.00	40.00
9.50	8.00	5.00	10.00	8.50	6.50	4.50	7.50
16.00	19.25	15.50	18.50	21.25	17.00	16.25	20.50
16.00	17.20	11.70	19.20	18.60	17.50	13.30	14.75
65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00
130.00	117.50	94.40	97.50	124.00	101.75	109.00	114.20
122.50	165.00	175.00	127.50	162.50	180.00	187.50	190.00
16.20	12.75	10.80	11.40	13.65	14.75	11.50	10.50
14.65	11.50	10.80	13.75	15.60	18.50	17.90	15.60
9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75
14.25	14.25	14.25	14.25	14.25	14.25	14.25	14.25
9.50	8.25	7.75	9.20	11.00	10.50	7.20	6.50
32.50	28.20	31.50	43.50	52.00	57.50	60.00	35.50
9.75	12.25	11.50	13.20	8.75	7.50	11.20	14.25
14.20	15.00	12.50	9.60	7.80	10.50	15.25	16.00
24.20	21.00	25.20	14.90	13.80	17.60	20.50	26.75
18.75	18.75	18.75	18.75	18.75	18.75	18.75	18.75
23.90	17.70	16.90	26.25	27.50	19.40	20.00	22.50
88.40	97.50	101.00	74.20	81.80	135.00	127.50	92.20
15.50	24.80	16.75	23.90	22.60	23.20	18.80	17.90
4.15	3.65	4.40	5.25	4.80	3.90	3.35	4.15
3.80	2.95	3.90	3.25	3.15	3.65	3.00	4.00
6.60	4.25	5.35	6.40	6.60	5.25	5.10	4.75

BUYING PRICES FOR JULY, AUGUST, AND SEPTEMBER

Article and Description		
No. 3116	Antique Card Table	$14.50
" 2546	Antique Library Rocker	9.00
" 693	Antique Wardrobe	21.75
	Blue Chenille Curtain	4.00
" 16 B	Brass Easel	12.50
" 635	Brass Bedstead	15.75
" 15	Cane-seat Dining Chair	1.50
" 59 A	Cheval Glass	15.25
" 71 A	Child's Crib	11.50
" 10	China Closet	17.25
" 20	Corner Chair	20.00
" 245	Cedar Chest	8.50
" 16 A	Complete Dining-room Set	78.00
" 572	Drawing-room Suite	75.00
" 170	English Clothes Pole	3.50
" 5932	Empire Toilet Table	39.00
" 3016	Fancy Rocker	7.50
" 36 B	Gentleman's Chiffonier	7.50
" 6387	Hall Settle	16.50
" 16 K	Leather-seat Dining Chair	6.50
" 169 C	Library Table	20.00
" 91	Lace Curtain	4.50
" 16	Lady's Dressing Cabinet	30.00
" 835	Music Cabinet	4.00
" 50	Mahogany Parlor Table	15.25
" 626	Mahogany Office Chair	12.50
" 396	Mahogany Hall Stand	43.00
" 89	Mahogany Chamber Set	60.00
" 1008	Oak Sideboard	150.00
" 2229	Oak Dining Table	9.75
" 73	Oak Writing Desk	7.50
" 68	Oak Bookcase	7.50
" 76 A	Oak Chamber Set	11.00
" 687	Ornamental Table	4.00
" 20 D	Parlor Cabinet	25.00
" 821	Parlor Lamp	13.00
" 176 C	Piano Chair	12.50
" 57	Reclining Couch	21.00
" 17 A	Roman Chair	15.00
" 73	Sofa Bed	30.00
" 5926	Secretary Book Cabinet	65.00
" 65	Turkish Rocker	18.00
" 27 C	Woven-wire Mattress	1.75
" 16	Wool Mattress	2.25
" 495	White Iron Bedstead	3.75

WORK FOR JULY

Incoming Business Forms for July. A tablet, separate from the text, containing all the incoming business forms, is available for writing this set when business practice is used. A list of the forms is given, so that the text affords all material for writing the set if business practice is omitted. These forms also afford an opportunity for the study of the set as a whole before writing it, thus meeting a requisite for adequate drill work, whether business forms are used or not. The text is complete in itself.

The list of incoming business forms for July is given on pages 205–207. If the set is written without using the tablet of printed incoming forms, it will be necessary for the student to prepare them before he begins to write the set.

After these forms are written they should be placed in the envelope marked *Incoming Business Forms*, and withdrawn as they are needed when writing the set.

Whatever plan the instructor may adopt, either using business practice or writing the set as a study of the theory of bookkeeping only, this material is immediately at hand for reference, for class drills and discussion, for reviews during the progress of the set or when the set is finished.

This plan of the text does away with the necessity of using a pad of vouchers which are wholly independent of the text.

In all the following invoices the student, as proprietor, is represented as the purchaser.

Form 1. Note of J B. Maxwell, dated City, June 30, drawn in your favor, payable at The Union Bank 20 da. after date, with interest at 6%, $500.

Form 2. J. B. Topham's draft, in his own favor, on W. D. Rimbach, City, transferred to you by full indorsement. Draft is for $450 and is dated City, June 9, payable at The Union Bank, 30 da. after date.

Form 3. Bill of Thorp, Martin & Thorp, dated 798 Franklin St., City, July 1. Terms: cash, less 2%. Items as follows:

4 M Letterheads at $2
2 M Envelopes at $1.50
1 M Billheads, $2
2 gro. Steel Pens at 75¢
1 qt. Writing Fluid, 75¢
1 doz. Pencils, 30¢
1 Ledger, $6
1 Journal, $3
1 Cashbook, $3.50
1 Sales Book, $3
1 Notebook, $1.50
1 Purchase Book, $1

Deduct the discount on the bill and receipt it.

Form 4. Invoice of Cobb, Bates & Co., dated 62 Portland St., City, July 6. Terms: 3/10, net 30 da. Items as follows:

9 #5932 Empire Toilet Tables
12 #36 B Gentleman's Chiffoniers
5 #16 Lady's Dressing Cabinets
10 #76 A Oak Chamber Sets
5 #1008 Oak Sideboards
6 #693 Antique Wardrobes

Form 5. Invoice of Derby Mfg. Co., dated 17 Portland St., City, July 9. Terms: draft at 10 da. for the amount of the bill, less 2%. Items as follows:

4 #20 D Parlor Cabinets
4 #169 C Library Tables
10 #3116 Antique Card Tables
5 #89 Mahogany Chamber Sets
10 #16 A Complete Dining-room Sets

Do not deduct the discount on the bill; a draft will be attached when it comes into your possession.

Form 6. Draft of Derby Mfg. Co., dated City, July 9, payable at 10 days sight, on you, in favor of themselves, for the net amount of the above bill.

Form 7. J. O. Moran's sight draft, dated City, July 10, on you, in his own favor, $200.

Form 8. Check of J. E. Bender, dated Troy, July 13, on Traders National Bank, in your favor, $1169.09.

Form 9. Invoice of W. H. Stearns & Co., dated Chicago, Ill., July 9. Terms: 30-day draft for one half of the bill; balance in 45 da. Items as follows:

100 #15 C. Dining Chairs
100 #16 K L. Dining Chairs
10 #2229 O. Dining Tables
20 #626 M. Office Chairs
20 #3016 Fancy Rockers
5 #2546 Ant. Lib. Rockers

Form 10. W. H. Stearns & Co.'s draft, dated Chicago, Ill., July 9, payable 30 da. after date, on you, in favor of themselves, for one half the amount of the above invoice.

Form 11. Your draft at 30 da. from July 10 on Samuel W. Bradley, Bedford, in favor of yourself, accepted, for $840.25.

Form 12. Note of J. E. Farley, dated City, July 12, at 30 da., in favor of Samuel W. Bradley, Bedford, for $179. Transferred to you by full indorsement.

Form 13. A bank draft drawn by Traders National Bank, Springfield, on Chemical National Bank, New York, July 16; drawn payable to G. H. Ingalls & Co., A. B. Turner, Cashier, for $1085.19. Transferred to you by full indorsement.

Form 14. Invoice of C. W. Allen & Co., dated 46 Merrimac St., Trenton, N.J., July 9. Terms: 2/30, net 60 da. Items as follows:

24 #27 C Woven-wire Mattresses
24 #16 Wool Mattresses
10 #71 A Child's Cribs
24 #495 White Iron Bedsteads
50 #635 Brass Bedsteads

Form 15. Invoice of William Leavens & Co, dated 32 Canal St., New York City, July 11. Terms: sight draft in 15 da. for the amount of the bill, less 2% Items as follows:

12 #73 Oak Writing Desks
15 #68 Oak Bookcases
3 #5926 Sec. Book Cabinets
6 #396 Mahogany Hall Stands

Do not deduct the discount on the bill.

Form 16. E. F. Green & Co.'s draft, dated Bangor, July 14, on H. B. Claflin & Co., City, in your favor, at 60 da. from date, for $400.

Form 17. Invoice of Randall Mfg. Co., dated 126 East 123d St., New York City, July 15. Terms: 3/10, 1/30, net 60 da. Items as follows:

10 #57 Reclining Couches
50 #65 Turkish Rockers
5 #73 Sofa Beds

Form 18. Invoice of S. T. Udell & Co., dated Chicago, Ill., July 19. Terms: sight draft in 45 da. Items as follows:

19 #50 M. Parlor Tables
11 #10 China Closets

Form 19. William Leavens & Co.'s sight draft, dated New York City, July 24, on you, in favor of themselves, for the net amount of Form 15.

Form 20. *C. O. D.* envelope. Get $50 of the instructor and place it in the envelope. Data as follows: Cash inclosed, $50. Goods were shipped by you to Chas. B. Lyman, Springfield, July 24.

NOTE. An envelope containing the required amount of cash will be found in the back part of the tablet of incoming business forms. If business practice is used and the incoming business forms are not used, get the cash of the instructor.

Form 21. Check of David E. Teeter, dated City, July 29, on Traders National Bank, in your favor, for $1291.95.

Form 22. Bill of the Metropolitan Carting Co., dated City, July 31. Items as follows:

July 3, Cartage, $8.50
10, Cartage, $7.50; Freight, $98.40
13, Cartage, $6; Freight, $45.60
26, Cartage, $3.25

Receipt the bill as follows: Metropolitan Carting Co.

Form 23. Receipted bill of the Consolidated Gas and Electric Light Co., dated City, July 31. Terms: cash, less 5%. Items as follows:

Meter at current date, 8200 cu. ft.
Meter at last settlement, 2000 cu. ft.
Gas consumed, 6200 cu. ft. at $1.20 per 1000

Deduct the discount before receipting the bill. In receipting, sign the name of the gas company, per your initials.

Opening the Set. The following transactions are for the work during the month of July:

MEMORANDA OF TRANSACTIONS FOR JULY

July 1

You begin a Jobbing Furniture business at 269 Causeway St., with the following assets and liabilities:

ASSETS

J. B. Maxwell's note, dated June 30, in your favor, payable at The Union Bank 20 da. after date, with interest at 6%, $500.

Accepted draft, dated June 9, payable at The Union Bank 30 da. after date, $450. This draft is drawn by J. B. Topham, in his own favor, on W. D. Rimbach, and transferred to you by full indorsement.

The stock and furniture of the late Allen & Bailey Furniture Co., as per schedule on file, $7150.

Cash on hand, $6200.

A lot located at 269 Causeway St., as per warranty deed on file, valued at $2000.

Building and store fixtures valued at $5000.

Office furniture, per schedule on file, $450.

Delivery equipment (horses, wagons, and harness), $450.

The following persons owe you on account: J. E. Bender, Troy, $1350; Samuel W. Bradley, Bedford, $750; E. F. Green & Co., Bangor, $400.

LIABILITIES

Your note at 1 mo. from June 25, in favor of Allen & Bailey Furniture Co., payable at The Union Bank, for $2500, with interest at 6%.

C. O. Boswell's draft at 30 days sight, dated New York City, June 20, on you, in his own favor, for $1000. You accepted it June 25, payable at The Union Bank.

You owe the following persons on account: J. O. Moran, City, $2100; Paine Manufacturing Co., Bedford, $350; Stoddard & Co., City, $4750.

NOTE. The ledger title for the lot is *Real Estate*; for the building and the store fixtures, *Building and Fixtures*; for the schedule of office furniture, *Office Furniture*; for the horses, wagons, and harness, *Delivery Equipment*.

Make the opening journal entry.

Remember to record the cash item in the cashbook.

Record the notes and acceptances in the notebook.

Refer to the model notebook on pages 196 and 197.

Write the *note* and the *draft* given in the *liabilities*, and hand them in.

Did you remember to check the cash item in the opening journal entry, in both the cashbook and the journal? How are they checked?

July 2

Take J. B. Maxwell's note, Form 1, and W. D. Rimbach's acceptance, Form 2, and place them in the *Unpaid Bills* envelope. The warranty deed, the schedule of property on hand, etc., are assumed to be on file, and you will make no reference to them at this time.

Apply to the instructor for the cash investment.

Deposit in The Union Bank all the cash on hand except $100.

The bank account will be kept in the same manner as in the introductory work. An envelope and sheet for filing the checks drawn, and for making the monthly bank statement, will be found in the package of business forms. The left stub of the check book may be used for recording any important memoranda.

Pay by check the bill of Thorp, Martin & Thorp, for books, stationery, etc., Form 3.

Place the bill in the *Paid Bills* envelope. Debit *Office Supplies.*

Secure from the Manhattan Fire Insurance Co. a policy of insurance for $12,000 on the store, the goods, and the fixtures at $1\frac{1}{4}\%$ premium.

Pay the *premium* by check in favor of Chas. M. Shaw, general agent for your place. Debit *Insurance.*

The policy, it is assumed, was received and filed yesterday.

NOTE. A policy of insurance is simply an insurance company's contract with the insured. Such a contract covers usually the following:

Premium paid by the insured	Amount of insurance
Term of insurance	Description of the property insured

Extent of the company's liability, etc.

This agreement is signed usually by the president and the secretary of the company as well as by the local agent of whom you obtained it.

Engage Harry K. Sutton at $60 and Harvey L. Grant at $50 per month as salesmen; Michael Donovan at $30 per month as delivery man; Daniel L. Coon and Geo. W. Ainsley at $48 and $40 per month, respectively, as upholsterers and finishers.

A memorandum of the above may be made by the student and filed with the incoming papers.

Letters Ordering Goods. In writing letters ordering goods, observe the following:

1. Arrange the items one on a line.
2. Give shipping directions in out-of-town orders.
3. In case of a first order:

a. Give satisfactory references.

b. State how you intend to pay.

4. When you name prices, state at what point you expect the goods f. o. b. This is a matter of importance, as it affects the cost of the goods.

5. Always be definite with regard to the quality and the quantity of the articles ordered.

6. If it is a special order, state the purpose for which the goods are intended.

7. State, if necessary, the exact date on which the goods must reach you.

8. Study the following model letter:

Hartford, Conn., July 1, 19—

Mr. Harold M. Bates
136 Main St.
Grand Rapids, Michigan

Dear Sir:

Please ship the following goods by freight, subject to your best cash discount:

10 #5926 Secretary Book Cabinets
15 #396 Mahogany Hall Stands
20 #73 Oak Writing Desks
10 #57 Reclining Couches
50 #65 Turkish Rockers
25 #68 Oak Bookcases
5 #73 Sofa Beds

I am permitted to refer you to the First National Bank, of this city, as to my business standing.

Yours truly,

George M. Lawrence

MODEL LETTER ORDERING GOODS

July 3

Write letters, ordering the following goods:

1. Of Cobb, Bates & Co., 62 Portland St., City, the goods outlined in Form 4.

Give references and ask for their best cash discount.

NOTE. In this set no entry will be made at the time of ordering goods. Almost all of the orders are sent to out-of-town firms, and sufficient time is allowed to elapse for the student to receive the invoice and the goods before making any entry.

2. Of William Leavens & Co., 32 Canal St., New York City, the goods outlined in Form 15.

Offer to honor their sight draft in 15 da. for the amount of the bill less the regular discount for payments within 15 da.

As you are a stranger to this firm, give New York City references instead of local references.

3. Of C. W. Allen & Co., 46 Merrimac St., Trenton, N.J., the goods outlined in Form 14.

You have had dealings with this firm before and expect them to name their regular terms.

4. Of Derby Manufacturing Co., 17 Portland St., City, the goods outlined in Form 5.

Ask them to allow you their usual discount, and to draw on you for the amount of the bill at 10 da. from date.

5. Of W. H. Stearns & Co., Chicago, Ill., the goods outlined in Form 9.

Tell them that you will honor their 30-day draft for one half the bill, and will pay the balance in 45 da.

July 5

Cancel your indebtedness to Paine Manufacturing Co., Bedford, by a sight draft on Samuel W. Bradley of the same place.

Write a letter of remittance and send it with the above draft to Paine Manufacturing Co. Also write a letter to Samuel W. Bradley, notifying him of the draft you have drawn on him at sight. Make the journal entry. The amount may be found on page 208 under the liabilities.

Model Letters. The following models suggest what the above letters should contain:

Boston, Mass., July 5, 19—

O. M. Behrns & Co.
Syracuse, N.Y.

Gentlemen:

Inclosed find a sight draft on K. P. Shedd, of your city, drawn in your favor, for Three Hundred Fifty (350) Dollars, in full settlement of account to date.

Very truly yours,
E. R. Gaylord & Co.
per *M.*

Boston, Mass., July 5, 19—

Mr. K. P. Shedd
Syracuse, N.Y.

Dear Sir:

We have this day drawn upon you at sight, in favor of O. M. Behrns & Co., of your city, for Three Hundred Fifty (350) Dollars.

Very truly yours,
E. R. Gaylord & Co.
per *M.*

July 6

David E. Teeter, 360 Main St., City, orders the following goods. The order is filled at the prices given herewith:

10 #5932 E. Toilet Tables at $50
3 #89 M. Chamber Sets at $80
1 #16 A C. Dining-room Set, $110
2 #1008 O. Sideboards at $195
1 #396 Mahogany Hall Stand, $65

Terms: 3/5, 1/30, net 60 da.

NOTE. The space allowed for recording the terms of sale on a bill is generally limited, and bookkeepers find it necessary to use symbols and abbreviations to indicate them. The following list explains the meanings of the abbreviations for terms used in this work:

Net 30 da. means that the bill is to be paid in thirty days without discount.

1/30 means that 1% discount will be allowed if the bill is paid within thirty days.

3/10, net 30 da. means that 3% discount will be allowed if the bill is paid within ten days, or the amount of the bill will be due in thirty days without discount.

Benj. P. Freeman & Co., 924 East St., City, order the following goods:

12 #170 Eng. Clothes Poles
12 #495 W. Iron Bedsteads
5 #245 Cedar Chests
25 #821 Parlor Lamps

Fill the order. Terms: sight draft in 10 da., less 3%.

Make out the bill, have it approved by the instructor, and then copy it into the sales book. Do not deduct the discount on the bill nor in the sales book. Draw a sight draft in favor of yourself, dating it 10 da. ahead.

Draw the draft for the net amount of the bill; that is, take out the 3%.

Remember that this is drawn as a *sight draft*, but it is dated 10 da. ahead of the date you are working on.

On *July 15* instructions will be given for the collection of this draft by The Union Bank.

July 8

Walker, Brown & Co., Albany, order:

5 #20 D Parlor Cabinets	10 #835 Music Cabinets
24 #176 C Piano Chairs	15 #821 Parlor Lamps

Fill the order. Terms: draft at 30 da. from date.

The goods called for in the above order will be sent by freight, and it will be necessary for you to prepare a *bill of lading* and the duplicates, the *shipping order*, and the *memorandum*.

Study carefully the following illustration and the explanation. This is a new feature of your work; be sure you understand it thoroughly.

In the box of business forms there is a pad of bill of lading blanks, and full instructions for using this form. Use the pad marked *Straight Bill of Lading*.

Order Bills of Lading. Refer to the explanation of the straight bill of lading given on page 186 before reading the following paragraphs. Study these instructions with care.

The order bill of lading is also drawn up in a set of three papers, but in this form the bill of lading must be printed on yellow paper and the duplicates on blue paper. The order bill of lading is negotiable by indorsement, and is extensively used in the shipping of freight that is not to be delivered until it is paid for.

When the order bill of lading is used, the shipment is termed a *shipper's order*, and is recorded as a *C.O.D.* account.

When an order bill of lading is used, it is customary to draw a sight draft, attach it to the bill of lading, and make the collection through a bank. The name of the bank is written after *Consigned to Order of*, and the name of the consignee after *Notify*. The consignee cannot get the bill of lading until he pays the draft, and he cannot get the goods until he surrenders the bill of lading. For this reason, the shipper's order is a C.O.D. transaction.

Prepare the straight bill of lading and the duplicates; sign the shipping order and the duplicates, and then have the instructor or the freight agent sign the bill of lading and the memorandum. Place the bill of lading with the invoice, inclose both in an envelope addressed to Walker, Brown & Co., and hand it in. The shipping order should be left with the freight agent, and the memorandum placed on file by the shipper.

The bill of lading must be used in connection with all out-of-town shipments, the *straight* bill of lading for general orders, and the *order* bill of lading for all orders that are not to be delivered until the goods are paid for. Observe this distinction carefully.

Draw a draft, in favor of yourself, payable 30 da. from the date of the invoice. Indorse the draft properly and leave it with your bank for acceptance and collection.

It should be borne in mind that Walker, Brown & Co. have agreed to accept the draft, and it will be honored in due course.

Make no entry in the check book. Some banks make a memorandum entry in the pass book for paper left for collection, but do not extend the amount into the money column.

The journal entry will be made when the bank informs you that the draft has been accepted.

The straight bill of lading will be used unless you are otherwise instructed.

Leave W. D. Rimbach's acceptance at the bank for collection.

Indorse it and record in the *Date sent to Collect* column of the notebook.

July 9

J. E. Bender, Troy, has agreed to honor your sight draft, in favor of Stoddard & Co., for $300.

Write the draft and the letters, and hand them in. Make the proper entry in the journal.

The Metropolitan Carting Co. has delivered to you the goods ordered of Cobb, Bates & Co. on *July 3*.

Look up the invoice, Form 4. Enter it in the purchase book.

Entries in Purchase Book. In entering purchases in the purchase book observe the following:

1. In actual business *never* enter a bill in the purchase book until the goods have been received. Sometimes it may happen that more than one bill is sent for the same goods, or perhaps a bill is sent and the goods are not delivered.

2. When the goods have been received, the invoice for the same should be checked.

3. If everything called for in the invoice has been received, then the bill should be compared with the order to find out whether or not you have received the goods you ordered.

4. If the items on the bill agree with the order, next observe if the prices and the terms are what you bargained for.

5. Examine all the extensions of the invoice carefully, and, if everything is found to be correct in every detail, record it in the purchase book.

6. If the checking shows any irregularities on the bill or in the goods received, do not record it in the purchase book, but hold it, and immediately notify the persons of whom you are purchasing the goods, and await their reply.

The goods ordered of the Derby Manufacturing Co. have been delivered.

Look up the invoice, Form 5, and the draft sent with it, Form 6. Record the invoice in the purchase book. Accept the draft, payable at The Union Bank, and make the journal entry. Record the acceptance in the notebook. Place the draft in an envelope, address it, and hand it in.

No deduction is made on the face of the invoice; every invoice is to be entered in the purchase book at its face value.

The following is the proper form of journal entry for the acceptance:

Derby Mfg. Co.
  Mdse. Disc. on Purchases
  Notes Payable

The Union Bank reports that Walker, Brown & Co. have accepted your draft for the amount of the invoice of *July 8*.

Make the entry in the journal, and record in the notebook. Refer to the model notebook, pages 196 and 197.

W. D. Rimbach's acceptance has been collected. Have the amount recorded in your pass book, and make the record in the check book. The following memorandum may be entered on the reverse stub of the check book.

July	9	W. D. Rimbach's acceptance collected	450	—

Credit *Notes Receivable* on the left side of the cashbook. Mark the note *Paid* in the notebook.

July 10

Pay by check J. O. Moran's sight draft on you, in favor of himself, for $200, Form 7.

Write the check and make the cashbook entry. Hand in all outgoing papers.

Samuel W. Bradley, 126 James St., Bedford, orders the following goods. The order is filled at the prices given herewith:

5 #3116 A. Card Tables at $19.75 — 3 #1008 O. Sideboards at $195
6 #687 O. Tables at $5.25 — 5 #169 c Library Tables at $25

Terms: draft at 30 da., drawn in favor of yourself.

Write the draft and have it approved. Inclose the invoice, the bill of lading, and the draft in an addressed envelope, and hand it in. Make no entry for the draft until it has been returned accepted.

July 11

Telegraph Randall Manufacturing Co., 126 East 126th St., New York, ordering:

50 #65 Turkish Rockers — 10 #57 Reclining Couches
5 #73 Sofa Beds

Do not use more than twenty words for the message.
Pay 75¢ charges in currency. Debit *Sundry General Expense* in the cashbook.
NOTE. The telegram is illustrated and discussed in Appendix E.

July 12

J. E. Bender, 127 Main St., Troy, orders:

15 #396 Mahogany Hall Stands — 9 #68 Oak Bookcases
10 #76 A Oak Chamber Sets

Fill the order. Terms: 3/5, 2/10, net 30 da.

Prepare the bill of lading as under *July 8*.

July 13

Receive a check from J. E. Bender for the amount of the invoice of *July 12*, less 3%, Form 8.

Enter the check on the left side of the cashbook. Refer to the second entry in the model cashbook, under *Cash Received*, page 198.

Merchandise Discount. This discount is an allowance for the payment of an invoice within a specified time from its date. It is usually the result of giving optional terms of settlement to the buyer, as *3/10, 1/30, n/60*; that is, a reduction of 3% if payment is made within 10 da., or 1% if paid after the 10 da. and within 30 da., or the face of the bill if payment is made after the 30 da. and within 60 da.

Merchandise Discount is entered as follows: that which is allowed on purchases as *Merchandise Discount on Purchases*; that which is allowed on sales as *Merchandise Discount on Sales.*

Because the buyer has this option the invoice is billed without reduction, as it is not known which option the buyer will choose. If he pays within the time for which the discount is allowed, a record is made of this discount as a regular entry, under the title *Merchandise Discount on Sales.*

July 15

The Metropolitan Carting Co. has delivered the goods shipped to you by W. H. Stearns & Co., Chicago, Ill., Form 9. Accept the draft, payable at The Union Bank, Form 10, place it in an envelope addressed to W. H. Stearns & Co., and hand it in.

Samuel W. Bradley, Bedford, returns your draft of July 10, on him, accepted, Form 11, together with a note, Form 12, payable 30 da. from July 12, made by J. E. Farley, City, in favor of Samuel W. Bradley, for $179. Form 12 is transferred to you by full indorsement.

Make the journal entry for the draft and the note, and then record them in the notebook. Place them in the *Unpaid Bills* envelope.

Leave the sight draft of Benj. P. Freeman & Co. at The Union Bank for collection.

Refer to the sale to them on *July 6.*

Telegraph S. T. Udell & Co., Chicago, Ill., asking them to ship you by fast freight:

11 #10 China Closets 19 #50 M. Parlor Tables

Limit the message to fourteen words. Pay 75¢ charges in currency.
Debit *Sundry General Expense* in the cashbook.

July 16

G. H. Ingalls & Co., Springfield, order:

25 #20 Corner Chairs 25 #17 A Roman Chairs

They inclose a New York draft to cover the cost of the order, Form 13.

Fill the order. Terms: cash, less 3%.

Write the invoice, but do not deduct the 3% allowance for cash. Prepare the *straight* bill of lading and the duplicates, in the usual form.

Enter the draft and the discount in the cashbook.

Give Cobb, Bates & Co. a check for the invoice of *July 6*, less the discount allowed for prompt payment.

The cashbook entry will be the same, except the amounts, as the *fifth* entry in the model cashbook, under *Cash Paid*, page 199.

July 17

Deposit in the bank the check on hand; also, the New York draft. Collection on the check is $\frac{1}{10}\%$.

NOTE. There is no uniform custom in charging for checks, sight drafts, and the various other negotiable instruments offered for collection. As a rule, no charge is made to a regular depositor for collecting paper payable in the city nor to a customer who keeps a large bank account. When charges are made, they range from $\frac{1}{10}\%$ to $\frac{1}{4}\%$. The student will be instructed when the bank makes any charges.

Different sections of the country do not follow a uniform plan, but it is desirable that the student should be familiar with handling these collection items.

THE UNION BANK

DEPOSITED BY

LUKE S. WARDEN

July 17, 19—

Please list each check separately

Bills		
Gold		
Silver		
Checks	1140	15
	511	20
	278	75
	1930	10
Less Exchange	1	14
	1928	96

Make out a deposit ticket and deduct the collection. Indorse each paper and then enter the deposit in the check book.

Debit *Collection and Exchange* for the bank's charges.

The Union Bank has collected the sight draft on Benj. P. Freeman & Co. No collection charges.

As this draft is for the *net* amount of the bill, the discount must be recorded in the cashbook; it was drawn on July 6, the date of the invoice.

July 18

Leave J. B. Maxwell's note at the bank for collection.

Take J. B. Maxwell's note from the *Unpaid Bills* envelope, indorse it, and then hand it to the bank teller. No record will be made in the pass book until the bank reports the collection.

Discount Samuel W. Bradley's acceptance for the invoice of *July 10*, and receive credit for the proceeds.

Take Bradley's acceptance from the *Unpaid Bills* envelope, indorse it, and then make out a discount memorandum similar to the one illustrated on page 219.

Compute the discount at 6%.

Pin the discount memorandum and the acceptance together, place them in the pass book, and then hand it to the bank teller, who will give you credit for the proceeds.

Enter the proceeds as a deposit in the check book.

On the reverse stub of the check book a memorandum may be written giving details regarding this discount.

In the cashbook, remember to credit the acceptance for its *face* value; debit *Interest Paid* for the discount. It is of the utmost importance to enter a discounted note or acceptance at its face value.

In the notebook, in the *Date Discounted* column, write *July 18.*

Term of Discount. The *term of discount* is the time from the date of discount to the *maturity* of the note. Banks differ as to method in finding the *term*, but in this text *the exact number of days will be used uniformly.*

DISCOUNT MEMORANDUM

Date July 15, 19—

Discounted for Wm. K. Miner

Maker Roger Williams

Indorser _____

Face, $500.00 Interest, $ _____ Total, $500.00

Discount 60 da $5.00 Coll., $ _____ Total, $5.00

Proceeds, $495.00

FORM OF DISCOUNT MEMORANDUM

Receive the goods ordered of C. W. Allen & Co. on *July 3*, Form 14.

This invoice is dated July 9, the date goods were shipped.

July 19

The Metropolitan Carting Co. has delivered the goods ordered of William Leavens & Co., Form 15.

Look up the invoice, Form 15, and enter it in the purchase book. You will receive their sight draft on you for the net amount of the invoice in 15 da.

Remit to C. W. Allen & Co. a check for invoice of July 9, less the discount allowed for prompt payment.

Also order the following:

5 #59 A Cheval Glasses 17 #572 Drawing-room Suites

Write the check and have it approved; enter it in the cashbook. Write a letter, inclosing the check and ordering the goods.

Your acceptance in favor of Derby Manufacturing Co., made payable at your bank, is due to-day.

Issue a check in payment.

Enter the amount in the check book; include it in the checks.

Debit *Notes Payable* in the cashbook. Mark the acceptance *Paid* in the notebook.

Bank Charges for Notes or Drafts. The following paragraphs explain the circumstances under which a bank will charge a depositor with a note or a draft:

1. Banks are not uniform in their practice of charging notes, accepted drafts, etc. In some places, notably in Chicago and several other large Western cities, they require their patrons to meet all such paper by check.

2. The practice followed by some banks is to pay notes, acceptances, etc. out of a firm's deposit, and to charge the depositor the same as they would if he had drawn a check. Court decisions and special laws in force in a number of states hold that notes, acceptances, etc. made payable at a bank are orders upon that bank and may be charged to a depositor's account at maturity the same as a regular check.

3. These special laws and decisions are in operation in New York, Massachusetts, Connecticut, and a few other states. In these sections many banks charge notes etc. to their patrons' accounts at maturity.

July 20

Your bank has received cash for J. B. Maxwell's note and the interest due to-day.

Enter the sum of the note and the interest as a deposit in the check book.

Give Stoddard & Co. your note at 15 da., dated July 20, for $400, payable at The Union Bank.

July 22

Receive of E. F. Green & Co. a draft drawn in your favor, payable 60 da. from July 14, on H. B. Claflin & Co., City, for $400, Form 16.

Present the draft to the instructor; he will give you directions about having it accepted for H. B. Claflin & Co.

Receive the goods ordered of Randall Manufacturing Co. on *July 11*, Form 17.

July 23

Give Randall Manufacturing Co. your check for the amount of the invoice dated July 15, less 3%.

July 24

M. N. Overman, 493 King St., Albany, orders:

3 #693 Antique Wardrobes 30 #65 Turkish Rockers
3 #73 Sofa Beds

References are satisfactory and you fill the order. Terms: 3/10, 1/30, net 60 da.

Write the invoice and have it approved, and then record it in the sales book. Place the invoice and the bill of lading in an envelope, and hand it in.

Receive a telegraphic order from Chas. B. Lyman, Springfield, for

4 pr. Blue Chenille Curtains 5 pr. #91 Lace Curtains

The goods are to be shipped by express C.O.D.

Make out a receipted invoice; enter it in the sales book, as follows:

C. O. D. Accounts
(Chas. B. Lyman, Springfield)
4 pr. Blue Chenille Curtains 5.00 20 —
5 pr. #91 Lace Curtains 6.00 30 — 50 —

Place the invoice in a *C.O.D.* envelope, fill it out properly, and hand it in. When posting, debit *Chas. B. Lyman* under *C.O.D. Accounts*, as follows:

C. O. D. Accounts

19—											
July	17	Chas. B. Lyman	6	50 —							

July 25

Your acceptance in favor of C. O. Boswell, and your note, with interest for 1 mo., in favor of Allen & Bailey Furniture Co., are due to-day.

Issue checks in payment.

Make the entries in the cashbook and the check book. Mark the acceptance and the note *Paid* in the notebook.

Receive the goods ordered of S. T. Udell & Co., Chicago, Ill., on *July 15*, Form 18.

July 26

P. R. Brown, Rochester, orders:

25 #635 Brass Bedsteads 25 #6387 Hall Settles

Fill the order, subject to the order of The Union Bank.

Write a sight draft for the amount of the invoice, indorse it to The Union Bank, attach it to the bill of lading (which is made out according to the directions in the paragraph below), and then leave it with the bank for collection.

Send the invoice to your customer in the usual way.

Enter in the sales book as a C. O. D. item. See script illustration under *July 24*.

Draft with Bill of Lading Attached. For the convenience of shippers when the responsibility or the credit of the buyer is limited or when his business standing is unknown, railway and steamship companies have provided a way whereby goods may be sent by freight so that the buyer cannot obtain possession of them without first paying for them. This method is commonly known among business men as *shipper's order*, and is analogous to C.O.D. shipments in the express business, as explained in the transaction of *July 24*.

Throughout the text, transactions of this kind will be entered as *C. O. D. Accounts*.

In the shipment to P. R. Brown of *July 26* it will be necessary to make out an *order* bill of lading. This form is described on page 213. Observe the following directions:

After the words *Consigned to Order of* write *The Union Bank*, and on the line following write your address.

After *Notify* write *P. R. Brown*, and on the line following write *Rochester, N.Y.*

The collection will be made by your bank as follows:

Your bank will indorse both the draft and the bill of lading, and send them to its correspondent at Rochester.

When the Rochester bank receives the draft, it will notify Brown. If he pays it, the bank will give him the freight receipt, which receipt, when properly indorsed and given to the transportation company, will give him access to the goods.

Transportation companies will not deliver goods without obtaining an order bill of lading, for they would thereby render themselves liable to the shippers should the consignee not pay for the goods.

July 27

Pay William Leavens & Co.'s sight draft, in favor of themselves, for the amount of the invoice dated July 11, Form 19.

Verify the amount of the draft by comparing it with the invoice in the *purchase book*. If correct, write a check for it. Make the cashbook entry. Write *Paid* across the face of the draft and keep it as a receipt.

July 29

Receive returns for the C.O.D. shipment of *July 24*, Form 20.

Take the money out of the *C.O.D.* envelope and place it in the *Business Cash* envelope. (If the incoming business forms are used, the envelope containing the currency will be found in the back of the tablet.)

Enter in the cashbook. Refer to the model.

July 30

Receive a check of David E. Teeter, in full for the invoice of *July 6*, less 1%, Form 21.

Examine the check and verify the amount before making the entry in the cashbook.

Draw cash, for private use, $75.

Enter in the cashbook under *Drawing* account.

Take $75 from the *Business Cash* envelope and place it in the *Personal Cash* envelope.

July 31

Pay by check the bill of the Metropolitan Carting Co., for freight and drayage to date, $169.25, Form 22.

Debit *Freight and Cartage Out*, $38.15, and *Merchandise Purchases*, $131.10.

The first of these terms applies to the freight and cartage which the business has paid on the merchandise sold; the second, to the freight and cartage paid on the merchandise bought.

Pay by check the gas bill for the month, $7.07, Form 23.

Debit *Sundry General Expense* for the gas bill.

Pay by check salaries to date, as follows:

Harry K. Sutton	$60	Michael Donovan	$30
Harvey L. Grant	50	Daniel L. Coon	48
	Geo. W. Ainsley	$40	

Total the five checks, and enter under *Salaries*.

Deposit David E. Teeter's check and all the currency on hand.

Closing the Work for July. Proceed to close the month's work as follows:

1. The monthly bank statement should be made.

2. Prove the cash, and balance and post the cashbook. Note that the first two columns, on either side, balance the last two columns.

The directions for posting the cashbook are given on page 198.

3. Open accounts in the ledger in the following order:

Cash
Notes Receivable [1]
Accounts Receivable [2]
  David E. Teeter
  Benj. P. Freeman & Co.
  Walker, Brown & Co.
  Samuel W. Bradley
  J. E. Bender
  E. F. Green & Co.
  G. H. Ingalls & Co.
  M. N. Overman
  C.O.D. Accounts
  Chas. B. Sherman
  M. L. Covey & Co.
  J. B. Cox & Co.
  Foley Bros.
Merchandise Inventory
Real Estate
Building and Fixtures
Office Furniture
Delivery Equipment
Notes Payable [1]
Accounts Payable [2]
  Cobb, Bates & Co.
  Derby Mfg. Co.
  W. H. Stearns & Co.
  C. W. Allen & Co.
  William Leavens & Co.
  Randall Mfg. Co.
  S. T. Udell & Co.
  Fowler Furniture Co.
  J. K. Levy & Co.
  J. O. Moran
  Paine Mfg. Co.
  Stoddard & Co.
Student, Investment [1]
Student, Drawing
Harvey L. Manning, Investment
Harvey L. Manning, Drawing
Profit and Loss [3]
Sundry Expense Inventories
Merchandise Sales
Interest Earned
Merchandise Discount on Purchases
Merchandise Purchases [1]
Salaries
Freight and Cartage Out
Delivery Expense
Insurance
Office Supplies
Sundry General Expense
Merchandise Discount on Sales
Interest Paid
Collection and Exchange

NOTE 1. The accounts are arranged in this order to facilitate the making of the statements.

Accounts Receivable is a term applied to the total amount due the business on personal accounts; *Accounts Payable* is a term applied to the total amount owed by the business on personal accounts. (The *Proprietor's* account is not included.)

[1] For these accounts allow one third of a page; for all other accounts, one fourth of a page.

[2] Do not write *Accounts Receivable* nor *Accounts Payable* in your ledger, but the names of the persons and firms that belong under these titles.

[3] Allow one full page for this account.

These terms, *Accounts Receivable* and *Accounts Payable*, are to be used in making trial balances and statements in subsequent work; the result is to shorten the work.

Another advantage of using the terms suggested in the preceding paragraph is to give information in summarized form. The important fact shown by these accounts in the statements is the amount due the business on account, and the amount owed by the business on account, as single items, rather than as a list of the individual debtors and creditors.

Information presented in concrete form is always a desirable feature in good bookkeeping.

NOTE 2. Blank ruled pages are provided at the beginning of the ledger for an index. Observe the following directions in preparing the index:

List all titles from the ledger alphabetically.

In each individual name, write first the surname and then the Christian name; for example, Burton, John L.

Illustrations for writing firm names: Brightwood & Co., John H.; Cobb, Bates & Co.; Sherwood & Son, Henry L.; The American Standard Heating Co.

STATEMENT OF ACCOUNT

Folio 72

Boston, Mass. July 31, 19—

Mr. W. E. Simpson

Beverly, Mass.

In account with Baker, Taylor & Co.

July	6	To Mdse.	150	90		
	17	" "	720	50		
	25	" "	125	70	997	10
July	10	By Mdse. returned	15	90		
	17	By Cash	150	—		
	27	" "	500	—	665	90
					331	20

MODEL FOR MONTHLY STATEMENT OF ACCOUNT

Write on every other line, and place the page number of the account immediately after the name.

When an account is transferred to a new page in the ledger, the number of this page should be written just after the number of the page on which the account was first written, as follows: Merchandise Inventory, 4, 76, etc. The last number indicates the page on which the open account may be found, and the series of page numbers enables the bookkeeper to refer to any page on which the account stands.

Any new accounts that may be opened should be written in the index at once.

NOTE 3. In this set there will be three accounts with merchandise, as follows: *Merchandise Inventory*, to which post the merchandise item from the opening journal entry; *Merchandise Purchases*, to which post the footing of the purchase book; *Merchandise Sales*, to which post the footing of the sales book.

4. Rule the purchase book as usual. The closing entry is *Mdse. Purchases, Dr.* Post.

5. Rule the sales book as usual. The closing entry is *Mdse. Sales, Cr.* Post.

6. Post from the journal.

7. Prove the notebook.

NOTE. To prove the notebook, find the total of the uncanceled notes receivable. This sum should agree with the balance of the *Notes Receivable* account in the ledger.

In like manner find the total of the unredeemed notes payable, and this sum should agree with the balance of the *Notes Payable* account in the ledger.

8. Prepare the monthly statements of the customers' accounts. Place them in an envelope properly addressed, and hand them in for approval. See model of monthly statement of account on page 225.

9. Take a trial balance of the balances of the ledger accounts, and hand it to the instructor for approval.

10. The inventory of stock was completed by Harvey L. Grant and Harry K. Sutton yesterday. The figures are given below.

Copy the inventory on a sheet of journal paper, in the usual form, using the buying price list for the merchandise. File the sheet containing the inventories.

Inventories, July 31, 19—

Merchandise:

5 #3116 A. Card Tables	5 #16 L. Dressing Cabinets
17 #2546 A. Library Rockers	19 #50 M. Parlor Tables
4 #693 Antique Wardrobes	20 #626 M. Office Chairs
25 #635 Brass Bedsteads	10 #396 M. Hall Stands
25 #16 B Brass Easels	2 #89 M. Chamber Sets
200 #15 Cane-seat Dining Chairs	10 #2229 O. Dining Tables
10 #71 A Child's Cribs	12 #73 Oak Writing Desks
10 #20 Corner Chairs	24 #68 Oak Bookcases
9 #16 A C. Dining-room Sets	10 #20 D Parlor Cabinets
15 #10 China Closets	10 #57 Reclining Couches
28 #3016 Fancy Rockers	12 #73 Sofa Beds
12 #36 B Gentleman's Chiffoniers	5 #5926 S. Book Cabinets
10 #6387 Hall Settles	20 #65 Turkish Rockers
275 #16 K L. Dining Chairs	24 #27 C W.-Wire Mattresses
5 #169 C Library Tables	24 #16 Wool Mattresses
10 pr. #91 Lace Curtains	12 #495 W. I. Bedsteads

Office Supplies:

Unused supplies	$21.75

Office Furniture:

Depreciation	4.50

Delivery Equipment:	
Depreciation	$6.75
Building and Fixtures:	
Depreciation	12.50
Insurance:	
For 1 mo.	12.50

No inventory of real estate is given, as the book value of the account is to be used as an asset.

The book value of the account is the value as it appears on the ledger.

11. Make the profit and loss statement.
12. Make the balance sheet or financial statement.

Statements. The following suggest the forms of statement to be used:

Student

PROFIT AND LOSS STATEMENT

For the month of July, 19—

TRADING					
Mdse. Sales		9856	25		
Inventory, July 1	6384.20				
Purchases for July	8488.75				
	14872.95				
Inventory, July 31	5759.43				
Cost of merchandise sold		9113	52		
Gross profits on sales				742	73
OPERATING EXPENSES					
Freight and Cartage Out		82	35		
Salaries		142			
Insurance, 1 mo.		20			
Depreciation on Delivery Equipment		7	50		
Depreciation on Office Furniture		4	25		
Office Supplies		17	60		
Sundry General Expense		5	35	279	05
Net operating profit				463	68
Add:					
Mdse. Discount on Purchases	94.32				
Interest Earned	13.55	107	87		
Deduct:					
Mdse. Discount on Sales	53.20				
Interest Paid	31.15				
Collection and Exchange	1.20	85	55	22	32
Net Profit for July				486	

Financial Statement

Assets						
Cash			845	35		
Notes Receivable			1742	30		
Accounts Receivable			3895	60		
Mdse. Inventory			5759	43		
Real Estate			2000			
Building and Fixtures			3500			
Delivery Equipment	425.					
Less depreciation	7.50		417	50		
Office Furniture:	425.					
Less depreciation	4.25		420	75		
Office Supplies			21	75		
Insurance Unexpired			91			
Total Assets					18693	68
Liabilities						
Notes Payable			1425	10		
Accounts Payable			3553	40		
Total Liabilities					4978	50
Proprietary Interest						
Student, Investment, July 1			13304	18		
Drawing:						
Net Profit for July	486.					
Withdrawal	75.		411			
Proprietary Interest, July 31					13715	18

Balance Sheet

Assets				**Liabilities**				
Cash		845	35	Notes Payable			1425	10
Notes Receivable		1742	30	Accounts Payable			3553	40
Accounts Receivable		3895	60	**Proprietary Interest**				
Mdse. Inventory		5759	43	Invest., July 1		13304.18		
Real Estate		2000		Drawing:				
Building and Fixtures		3500		Net Profit	486.			
Delivery Equip.	425.			Withdrawal	75.	411.		
Depreciation	7.50	417	50	Proprietary Int., July 31			13715	18
Office Furn.	425.							
Depreciation	4.25	420	75					
Office Supplies		21	75					
Insurance, Unexpired		91						
		18693	68				18693	68

Discuss the following questions on the Profit and Loss Statement.

How would a statement be arranged to show a gross loss on sales?

Explain the items chargeable to each of the seven operating expense accounts. Refer to the Profit and Loss Statement on page 227.

What is meant by *net operating profit*?

What is the distinction between *net operating profit* and *net profit*?

What is the source of the *interest paid* and the *interest earned* items?

Distinguish between the merchandise inventory of July 1 and of July 31.

---

13. Hand the statements to the instructor for approval.
14. Close the ledger by the *journal* method, as already instructed.

To close the *Delivery Equipment* account and the *Insurance* account, observe the following suggestions:

Assume that the *Delivery Equipment* account was valued at $400 on July 1 and has depreciated $8 during the month.

Make the following entry to record the depreciation (the loss), as treated in this set:

Profit and Loss		8		
Delivery Equipment				8
To record the depreciation on the *Delivery Equipment* account.				

After posting the above entry *balance* the account.

Assume that the *Insurance* account appears on the ledger debited with $144 on July 1. The portion chargeable to each month (the loss) is $12.

Make the following entry to charge the monthly premium and to record the inventory value:

Profit and Loss		12		
Sundry Expense Inventories		132		
Insurance				144
To close one twelfth of the yearly premium into the *Profit and Loss* account and to record the inventory value.				

After posting the above entry rule the *Insurance* account.

---

15. Make the monthly statement of the bank account.
16. Pass all books to the instructor for approval.

Exercise 58. Review

For Written Work

1. Journalize orally or in writing each transaction in the month of July.

All amounts may be omitted, as the value of the exercises is in determining debits and credits.

2. Make the following opening entries, referring to page 194, in order to determine the correct form of entry:

Student begins business this day with the following assets and liabilities:

a. Cash in drawer, $231.40
Deposit in First National Bank, $1674.50
Stock of merchandise valued at $9645.50
The following owe you on account:
Henry A. Pell, $67.50
Morris & Co., $253.10
M. M. Bell, $167.25
Amos T. Young, $76.45
You owe the following on account:
Barber & Co., $56.75
Young & Brown, $100.50
Thos. L. Parr, $25.25

b. Cash in drawer, $325
Deposit in The Union Bank, $2365.10
Real Estate valued at $1000
Building and Fixtures valued at $3200
Stock of merchandise valued at $11,457.20
The following owe you on account:
Warren & Son, $176.25
John K. Lamb, $200
C. H. Hartman, $423.50
D. B. Vance, $153.95
You owe the following on account:
Marshall & Co., $235
Henry Marvel, $310
Chas. L. Burt, $65.70
You hold notes against the following:
H. T. Inman, $125
L. L. Pond, $250
Mason & Son, $230
You have the following notes outstanding:
R. N. Banks, $200
T. S. Little, $100

c. Cash in drawer, $410.20
Deposit in the Second National Bank, $1814.25
Office Furniture valued at $215
Coal valued at $49.10
Office Supplies valued at $23.50
Stock of merchandise valued at $8692.15
One delivery truck valued at $600
The following owe you on account:
John L. Kinman, $235.85
Hart Bros., $356.30
Henry A. Morton, $205
You owe the following on account:
Lee & Mason, $176.50
Edward C. Freeman, $83.40
Loomis & Co., $115.20

3. Make statements from each of the following trial balances:

a. Cash	$3165.50	
Notes Receivable	270.45	
Accounts Receivable	1056.10	
Mdse. Inventory	3256.10	
Real Estate	2650.	
Building and Fixtures	5156.15	
Office Furniture	125.	
Delivery Equipment	350.	
Notes Payable		$1964.25
Accounts Payable		2708.55
John A. Smart, Investment		10018.85
John A. Smart, Drawing	125.	
Mdse. Sales		4481.15
Interest Earned		53.20
Mdse. Discount on Purchases		151.95
Mdse. Purchases	3074.45	
Salaries	98.35	
Sundry General Expense	8.75	
Interest Paid	42.10	
	$19377.95	$19377.95

Inventories:

Merchandise	$3325.40
Building and Fixtures: Depreciation	51.56
Office Furniture: Depreciation	2.50
Delivery Equipment: Depreciation	3.50

b. Cash	$346.20	
Notes Receivable	265.70	
Accounts Receivable	1950.75	
Mdse. Inventory	5860.40	
Real Estate	1875.	
Building and Fixtures	6854.75	
Delivery Equipment	485.	
Notes Payable		$826.55
Accounts Payable		1625.40
L. S. Woods, Investment		11957.65
L. S. Woods, Drawing	150.	
Mdse. Sales		7546.50
Interest Earned		54.20
Mdse. Discount on Purchases		145.25
Mdse. Purchases	4123.20	
Office Supplies	45.90	
Fuel	123.45	
Mdse. Discount on Sales	45.70	
Interest Paid	29.50	
	$22155.55	$22155.55

Inventories:

Merchandise	$3842.25
Fuel	25.60
Building and Fixtures: Depreciation	68.55
Delivery Equipment: Depreciation	4.85

CHAPTER XIX

SET V. JOBBING FURNITURE BUSINESS (CONTINUED)

PARTNERSHIPS

Essential Elements. A partnership is a contract relation between persons who combine their property, labor, or skill in a business and who agree to share the profits and the losses jointly. Hence, a partnership, in order to be legal, must have the following essential elements of a contract:

1. Competent parties
2. An agreement
3. Lawful enterprise
4. Consideration (joint division of profit and loss)

The agreement may be either verbal or written, preferably the latter. When reduced to writing, the contract of partnership is called the Articles of Copartnership.

Usual Clauses. The most usual clauses in the articles of partnership are as follows:

1. Name of the firm
2. Nature of the business
3. Place of business
4. Date of commencement and duration of partnership
5. Capital to be invested, and provision for its withdrawal
6. Salaries to be paid to the partners
7. Interest on invested capital
8. Division of profit and loss
9. Provision for dissolution

WORK FOR AUGUST

The work for August, in this set, is a continuation of the work of July.

Incoming Business Forms for August. The student is referred to the instructions given for the use of the business forms in the month of July, page 205, of which the following list is a continuation:

Form 24. Check of Harvey L. Manning, dated City, Aug. 1, drawn on Traders National Bank, in favor of your firm, for $7000.

Form 25. New York draft, dated City, Aug. 1, drawn by The Union Bank on Chemical National Bank, in favor of your firm, Chas. H. Palmer, Cashier, for $319.72.

Form 26. M. N. Overman's note, dated Albany, Aug. 2, in favor of your firm, at 30 da., for $469.39.

Form 27. Invoice of C. W. Allen & Co., Trenton, N.J., dated July 31. Terms: 2/30, net 60 da. Items as follows:

17 #572 Drawing-room Suites 5 #59 A Cheval Glasses

Form 28. Stoddard & Co.'s sight draft, dated City, Aug. 3, on your firm, in favor of themselves, for $150.

Form 29. Invoice of J. K. Levy & Co., New York City, dated Aug. 5. Terms: cash, less 2%.

15 #693 Antique Wardrobes

Do not deduct the discount from the amount of the invoice.

Form 30. New York draft, dated Olean, Aug. 10, drawn by The Union Bank of Olean, on Chemical National Bank of New York, in favor of M. L. Covey & Co., for $283.72, W. D. Byron, Cashier. Transferred to *Student* & Co. by full indorsement.

Form 31. Invoice of Cobb, Bates & Co., dated City, Aug. 15. Terms: 3/10, net 30 da. Items as follows:

25 #5932 Empire Toilet Tables 18 #1008 Oak Sideboards

25 #76 A Oak Chamber Sets

Form 32. Invoice of Derby Mfg. Co., dated City, Aug. 15. Terms: draft at 20 da. for the amount of the bill, less 2%. Items as follows:

5 #16 A Comp. Dining-room Sets 5 #693 Antique Wardrobes

10 #89 Mahogany Chamber Sets

Do not deduct the 2% discount.

Form 33. Draft of Derby Mfg. Co., City, on your firm, in favor of themselves, for the amount of the above invoice, dated Aug. 16, payable at 20 days sight.

Form 34. Invoice of C. W. Allen & Co., dated Trenton, N.J., Aug. 12. Terms: 2/30, net 60 da. Items as follows:

20 pr. Blue Chenille Curtains 20 pr. #91 Lace Curtains

Form 35. Check of David E. Teeter, dated City, Aug. 20, drawn on Traders National Bank, in favor of *Student* & Co., for $589.30.

Form 36. Bill of Ward, Macey & Co., dated City, Aug. 17, for 1 letter file and cabinet, $65. Terms: cash.

Receipt the bill.

Form 37. Check of J. E. Bender, dated Troy, Aug. 19, drawn on Traders National Bank, in favor of your firm, for $920.95.

Form 38. Bill of Tracy Coal Co. to Harvey L. Manning, dated Aug. 20, for 3 T. coal at $5. Terms: cash.

Receipt the bill.

Form 39. Check of David E. Teeter, dated City, Aug. 24, drawn on Traders National Bank, in favor of your firm, for $1248.87.

Form 40. *C. O. D.* envelope. Data as follows: Cash inclosed, $22. Goods were shipped by your firm to J. W. Clark, Waltham, Aug. 17.

Refer to the note under Form 20, page 207.

Form 41. New York draft, dated City, Aug. 30, drawn by The Union Bank, in favor of your firm, on Chemical National Bank, New York City, for $438.55, Chas. H. Palmer, Cashier.

Form 42. Bill of the Metropolitan Carting Co., dated City, Aug. 31. Items as follows:

Aug. 1, Freight and Cartage, $14.50
16, Freight and Cartage, $34.50
22, Cartage, $5
23, Freight and Cartage, $26.10
30, Freight and Cartage, $83.70

Receipt the bill.

Form 43. Receipted bill of the Consolidated Gas and Electric Light Co., dated City, Aug. 31. Terms: cash, less 5%. Items as follows:

Meter at current date, 14,300 cu. ft.
Meter at last settlement, 8200 cu. ft.
Gas consumed, 6100 cu. ft. at $1.20 per 1000

Forming the Partnership. You are desirous of extending your business, and not having sufficient capital to do so, you have decided to enter into a partnership agreement with Harvey L. Manning.

For the assets enumerated below you admit Harvey L. Manning as an equal partner in your business.

Draw up articles of copartnership between yourself and Manning, embodying the following conditions (see Form II, Appendix D):

1. The firm name shall be *Student* & Co.
2. *Student* shall contribute the amount shown by his *Investment* account.
3. Manning shall invest:

Cash	$7000
Merchandise	1500
Account with Foley Bros. due him	5725

4. Each partner shall devote his entire time to the business and receive a salary of $100 per month.
5. Neither partner shall engage in any other business.
6. The profits and the losses shall be divided equally.
7. The partnership shall continue for two years unless sooner dissolved by mutual consent.

Hand the articles of copartnership to the instructor for his criticisms. If they are correct, he will sign them for Harvey L. Manning.

Make a copy of the financial statement for the month of July, attach it to the articles of copartnership, fold the sheets together, and in the outer right-hand corner at the top brief as shown in the Model for Briefing herewith.

ARTICLES OF COPARTNERSHIP
between
Student
and
Harvey L. Manning
AUG. 1, 19—

MODEL FOR BRIEFING

Opening the Work for August. The following memoranda of transactions are for the work of the student during the month of August:

MEMORANDA OF TRANSACTIONS FOR AUGUST

August 1

Draw a check, in favor of *Student* & Co., on The Union Bank for the amount of the balance on deposit. Have the check approved, and place it in the *Business Cash* envelope.

This check is drawn in order that the bank account with the student may be closed. Presently this check will be deposited to the credit of the new firm.

Receive Harvey L. Manning's check on Traders National Bank for the amount of his cash investment, Form 24.

Student and Harvey L. Manning have this day formed a partnership for the conduct of a jobbing furniture business. The partnership agreement is on file.

Make a journal entry for the investment by Manning.

Indorse the two checks on hand, and deposit them in The Union Bank, in the name of the new firm.

Write a letter to J. K. Levy & Co., 27 East 126th St., New York City, ordering:

15 #693 Antique Wardrobes

Inclose a New York draft for the amount, less 2%. Buy the draft by check. Exchange, 30¢.

Write the check.

Take the New York draft, Form 25, and indorse it. Debit *J. K. Levy & Co.* for the face of the draft, and enter the discount, $6.53, in the *Discount on Purchases* column.

NOTE. When a remittance is sent with an order, the amount may have been determined by previous correspondence, or by reference to prices quoted in a catalogue issued by the firm.

August 2

Receive of M. N. Overman his note, in favor of your firm, at 30 da. from Aug. 2, on account, for $469.39, Form 26.

Chas. B. Sherman, 23 West Ave., Rochester, orders:

50 #15 Cane-seat Dining Chairs
25 #16 K Leather-seat Dining Chairs
3 #2229 Oak Dining Tables
16 #3016 Fancy Rockers

References are satisfactory and you fill the order. Terms: sight draft in 30 da. for the amount of the bill, less 1%.

Prepare the usual bill of lading. Place the invoice and the bill of lading in an addressed envelope and hand it in.

Draw a sight draft, dating it ahead 30 da., in favor of yourself, for the amount of the bill, less 1%. Have the draft approved. It will be left for collection near the close of the month, just before it is due.

The Metropolitan Carting Co. has delivered to you the goods ordered of C. W. Allen & Co. on *July 19*, Form 27.

August 3

Pay by check Stoddard & Co.'s sight draft, in favor of themselves, for $150, Form 28.

Place the draft in the *Paid Bills* envelope.

David E. Teeter, City, placed the following order with you over the telephone this morning. The order is filled at the prices given herewith:

15 #16 B Brass Easels at $15
19 #68 Oak Bookcases at $9.75
5 #20 D Parlor Cabinets at $37

Terms: 3/5, 1/30, net 60 da.

August 5

Your note of *July 20* in favor of Stoddard & Co., made payable at the bank, was due yesterday, Sunday.

Issue a check in payment.

Enter in the cashbook, and make the usual record in the notebook.

August 7

Your bank reports that the draft on P. R. Brown, attached to a bill of lading, has been collected. Collection charges, $1.

Have the amount entered in the pass book, and record it in the check book. The entry in the cashbook is the same as the entry of the shipment to Chas. B. Lyman, *July 24*.

Remember the entry for the *Collection and Exchange*.

The Metropolitan Carting Co. has delivered to you the goods ordered of J. K. Levy & Co. on *Aug. 1*, Form 29.

Draw a cash check for office expenses, $25.

At the bank, when you receive the money, ask for $5 in change.

The money received on this check is placed in the cash drawer, and no entry is made. As it is paid out for small charges, like telegrams, expressage, etc., the entries will be made.

Leave J. E. Farley's note, received *July 15*, with the bank for collection.

August 8

Telegraph C. W. Allen & Co., Trenton, N.J., ordering:

20 pr. Blue Chenille Curtains 20 pr. #91 Lace Curtains

Pay the charges in cash, 60¢.

Limit the message to fifteen words.

The acceptance of Walker, Brown & Co., drawn on *July 8* and left with The Union Bank for collection, has been paid. Collection charges, 75¢.

The bank teller will make the proper record in the pass book. Enter in the check book and in the cashbook.

Make the record in the notebook.

Acceptance in favor of W. H. Stearns & Co. is due to-day, payable at the bank.

Issue a check in payment.

August 10

J. E. Bender, Troy, sends the following order. Fill the order at the prices given herewith:

50 #15 C. Dining Chairs at $2.25 5 #495 W. Iron Bedsteads at $5
10 #16 Wool Mattresses at $4 5 #65 Turkish Rockers at $24.75
50 #16 K L. Dining Chairs at $9.50 3 #73 Sofa Beds at $38
3 #626 Mahogany Office Chairs at $16.50

Terms: 3/5, 2/10, net 30 da.

M. L. Covey & Co., Olean, order:

3 #396 Mahogany Hall Stands 2 #68 Oak Bookcases
3 #20 Corner Chairs

Fill the order. Terms: cash, less 3%.

Do not deduct the discount on the invoice nor in the sales book. Prepare the bill of lading as usual.

A New York draft was inclosed in payment of the order, Form 30. Make a cashbook entry for the draft.

August 12

Your bank has collected J. E. Farley's note, due yesterday.

Take your pass book to the bank and receive credit for the amount.

NOTE. But few special instructions will be given to the student for entering the transactions of this month. He is supposed to be sufficiently familiar with the different books and the various transactions recorded therein to proceed without a guide. If in doubt at any time, he should consult the instructor.

August 13

Place the following orders over the telephone:

Cobb, Bates & Co., City:

25 #5932 Empire Toilet Tables 25 #76 A Oak Chamber Sets
18 #1008 Oak Sideboards

Derby Manufacturing Co., City:

10 #89 Mahogany Chamber Sets 5 #693 Antique Wardrobes
5 #16 A Complete Dining-room Sets

NOTE. Some memorandum should be made of each order placed as above. When these orders are frequent, a special order book is used. In this set the memoranda for all orders placed over the telephone may be written on a sheet of paper and filed with the incoming papers.

August 16

Give Stoddard & Co. your note at 20 da., payable at The Union Bank, for $1500, on account.

You have received the goods ordered of Cobb, Bates & Co. on *Aug. 13*, Form 31.

Goods ordered of Derby Manufacturing Co. on *Aug. 13* have been delivered, Form 32.

Accept the draft which they inclosed, payable at The Union Bank, Form 33.

The goods ordered of C. W. Allen & Co. on *Aug. 8* have been delivered, Form 34.

August 17

A telegraphic order has been received from J. W. Clark, Waltham, for:

2 pr. #91 Lace Curtains 2 pr. Blue Chenille Curtains

The goods are to be shipped by express C. O. D.

August 19

David E. Teeter, City, has given you the following order over the telephone. Fill the order at the prices given herewith:

5 #5932 E Toilet Tables at $50 — 10 #693 Antique Wardrobes at $25.75
3 #396 M. Hall Stands at $65 — 3 #1008 Oak Sideboards at $195

Terms: 3/5, 1/30, net 60 da.

August 20

Receive of David E. Teeter his check for the invoice of *Aug. 3*, less 1%, Form 35.

Pay by check Ward, Macey & Co.'s bill for 1 letter file and cabinet, for use in the office, $65, Form 36.

Debit *Office Furniture.*

Pay by check Charles B. Hanley for sundry repairs, $10.50.

Receive of J. E. Bender, Troy, his check for the invoice of *Aug. 10*, less 2%, Form 37.

August 22

Draw a draft, payable at sight, on J. E. Bender, for the amount you owe W. H. Stearns & Co.

Write a letter to W. H. Stearns & Co. and inclose the draft. Also write a letter to J. E. Bender, informing him of the draft drawn. Refer to the letters under *July 5.*

Pay by check Tracy Coal Co.'s bill for coal for private use of Harvey L. Manning, $15, Form 38.

Deposit the checks and the New York draft on hand.

August 24

Receive of David E. Teeter his check for the amount of the bill of *Aug. 19*, less 3%, Form 39.

Give Cobb, Bates & Co. a check for the invoice of Aug. 15, less 3%.

August 26

Benj. P. Freeman & Co., City, order:

5 #10 China Closets — 10 #16 Wool Mattresses
5 #495 White Iron Bedsteads — 5 #65 Turkish Rockers
2 #5926 Secretary Book Cabinets

Fill the order. Terms: sight draft in 10 da. for the amount, less 3%.

Instructions regarding this sight draft will be given just before it is due.

August 27

A telegraphic order has been received from Henry L. Miller, Providence, for:

15 #5932 Empire Toilet Tables
15 #1008 Oak Sideboards

Fill the order, subject to the order of The Union Bank, less 2%.

Do not deduct the discount on the invoice.

Which form of the bill of lading are you to use?

August 29

Receive the returns from the C. O. D. shipment of *Aug. 17*, Form 40.

Write a letter to C. W. Allen & Co., Trenton, N. J., ordering the following:

50 #176 c Piano Chairs
50 #170 English Clothes Poles
25 #835 Music Cabinets
20 #6387 Hall Settles

August 30

Leave the note of M. N. Overman with the bank for collection.

Deposit the check received of David E. Teeter on Aug. 24, and currency, $20.

You receive frequent calls for a line of furniture manufactured by the Fowler Furniture Co., Rochester. From their catalogue you have made the following selections:

10 #687 Ornamental Tables
10 #2229 Oak Dining Tables
10 #245 Cedar Chests
15 #17 A Roman Chairs

Write a letter, ordering the above goods and inclosing a New York draft to cover the amount, less 2%. Give references and some information about the volume of your business.

The volume of business is shown by the total sales.

Write the check and receive the draft, Form 41. No collection charge for the draft.

Leave the sight draft on Chas. B. Sherman at The Union Bank for collection.

August 31

Give each partner a check for $100, his monthly salary.

Pay by check the bill of the Metropolitan Carting Co., for freight and cartage to date, $163.80, Form 42.

Debit *Merchandise Purchases*, $122.60; *Freight and Cartage Out*, $41.20.

Pay by checks salaries to date as follows:

Harry K. Sutton	$60	Michael Donovan	$30
Harvey L. Grant	50	Daniel L. Coon	48
Geo. W. Ainsley	$40		

Pay by check the gas bill for the month of August, $6.95, Form 43.

Closing the Work for August. The student should now proceed to close the work for this month as follows:

1. Have the monthly bank statement made, and compare it with the check book. Post the journal.
2. Rule, foot, and post the sales book and the purchase book.
3. If the cash proves, balance and post the cashbook.
4. Prove the notebook.
5. Make out monthly statements for the customers.
6. Make a trial balance of the balances of the ledger accounts, and hand it to the instructor for approval.
7. An inventory of everything on hand has been completed by Mr. Sutton. A statement of it follows.

Make the extensions at the cost prices, on a sheet of journal paper, and file for subsequent reference.

Inventories, August 31, 19—

Merchandise:

17 #2546 A. Library Rockers
5 #3116 Antique Card Tables
14 #693 A. Wardrobes
10 #16 B B. Easels
25 #635 B. Bedsteads
18 pr. B.C. Curtains
100 #15 Cane-seat Dining Chairs
5 #59 A Cheval Glasses
10 #71 A Child's Cribs
7 #20 Corner Chairs
10 #10 China Closets
27 #16 A C.D. Sets
17 #572 Drawing-room Suites
5 #5932 Empire Toilet Tables
12 #3016 Fancy Rockers
12 #36 B G. Chiffoniers
10 #6387 Hall Settles
200 #16 K L.D. Chairs
28 pr. #91 L. Curtains
17 #626 M. Office Chairs
19 #50 M.P. Tables
4 #396 M. Hall Stands
22 #89 M. Chamber Sets
25 #76 A O. Chamber Sets
7 #2229 O.D. Tables
12 #73 Oak W. Desks
3 #68 O. Bookcases
5 #20 D Parlor Cabinets
10 #57 Reclining Couches
9 #37 Sofa Beds
3 #5926 Sec. Book Cabinets
10 #65 Turkish Rockers
24 #27 C W.-wire Mattresses
4 #16 Wool Mattresses
2 #495 W. Iron Bedsteads
5 #16 L.D. Cabinets
5 #169 C Library Tables

Office Supplies	$8.50
Office Furniture:	
Depreciation	5.15
Delivery Equipment:	
Depreciation	6.75
Building and Fixtures:	
Depreciation	12.50
Insurance for 1 mo.	12.50

8. Make the statements. Have them approved.

Record them in Blank No. 1, on the page indicated by the index.

9. If the statements are correct, close the ledger.

This month the business has been conducted as a partnership, and the following entries should be made to close the *Profit and Loss* account:

Profit and Loss		288		
Student, Drawing				144
H. C. Mack, Drawing				144
To divide the balance of the *Profit and Loss* account, representing the net profit of the period, between the partners in the agreed proportion.				

10. Rule the personal accounts that balance.
11. Hand all books to the instructor for approval.

KINDS OF ACCOUNTS

There are two kinds of accounts,—real accounts and nominal accounts.

Real Accounts. Real accounts are those which represent actual values; upon the books of a concern they represent values owned or owed. These accounts represent pure exchange transactions in the kind of goods owned or owed, and they appear on the financial statement taken at the end of a period to show the financial condition of the business.

In this set the real accounts are:

Cash
Notes Receivable
Accounts Receivable
Merchandise Inventory
Real Estate
Building and Fixtures
Office Furniture
Notes Payable
Accounts Payable
Student, Investment
Student, Drawing
Harvey L. Manning, Investment
Harvey L. Manning, Drawing

Nominal Accounts. Nominal accounts are those which relate to the condition of the business within itself. They are the accounts necessary for the conduct of the business and represent profit and loss transactions. Nominal accounts are closed into the *Profit and Loss* account, at the end of each period.

In this set the nominal accounts are:

Merchandise Sales	Insurance
Interest Earned	Office Supplies
Merchandise Discount on Purchases	Sundry General Expense
Merchandise Purchases	Interest Paid
Salaries	Merchandise Discount on Sales
Freight and Cartage Out	Collection and Exchange
Delivery Expense	

NOTE. The accounts with *Merchandise Sales* and *Merchandise Purchases* are included as nominal accounts for the purpose of classification. Both of these accounts are used in connection with the inventories in determining the gross profit or the gross loss on the merchandise sold.

Exercise 59. Review

For Written Work and Discussion

1. Make the statements from the following trial balance:

Cash	$2310.42	
Notes Receivable	967.85	
Accounts Receivable	735.65	
Mdse. Inventory	4682.53	
Real Estate	1825.	
Building and Fixtures	3374.25	
Office Furniture	185.	
Delivery Equipment	390.	
Notes Payable		$738.90
Accounts Payable		1327.90
Wilson A. Brant, Investment		5000.
Wilson A. Brant, Drawing	50.	
Harold D. Casey, Investment		5000.
Harold D. Casey, Drawing	50.	
Mdse. Sales		6637.45
Interest Earned		53.75
Mdse. Discount on Purchases		83.
Mdse. Purchases	4167.55	
Mdse. Discount on Sales	72.	
Sundry General Expense	28.05	
Collection and Exchange	2.70	
	$18841.00	$18841.00

Inventories:

Merchandise	$4327.13
Building and Fixtures:	
Depreciation	33.74
Office Furniture:	
Depreciation	3.70
Delivery Equipment:	
Depreciation	7.80

2. Note the distinctions between each of the following:

a. Notes Receivable and Accounts Receivable.

b. Notes Payable and Accounts Payable.

c. Notes Receivable and Notes Payable.

d. Accounts Receivable and Accounts Payable.

3. Describe briefly the method used to find the gross profit on sales.

4. Explain the following with regard to the *Sundry Expense Inventory* account:

a. Under what conditions is this account opened?

b. How is the account closed?

5. Journalize orally or in writing each transaction in the month of August. The amounts may be omitted.

CHAPTER XX

SET V. JOBBING FURNITURE BUSINESS (CONTINUED)

WORK FOR SEPTEMBER

This work is a continuation of the work of July and August.

Incoming Business Forms for September. Refer to the instructions given on page 205. The following list continues the August list:

Form 44. Sight draft of S. T. Udell & Co. on your firm for $479.50, dated Chicago, Ill., Aug. 31, drawn payable to W. D. Lapham.

Form 45. Invoice of Fowler Furniture Co., dated Rochester, Sept. 2. Terms: cash, less 2%. Items as follows:

10 #245 Cedar Chests	10 #2229 Oak Dining Tables
10 #687 Ornamental Tables	15 #17 A Roman Chairs

Do not deduct the discount on the invoice, but record it in the cashbook.

Form 46. Invoice of C. W. Allen & Co., dated Trenton, N.J., Sept. 2. Terms: 2/30, net 60 da. Items as follows:

50 #176 C Piano Chairs	20 #6387 Hall Settles
25 #835 Music Cabinets	50 #170 English Clothes Poles

Form 47. Check of Walker, Brown & Co., dated Albany, Sept. 6, drawn on Traders National Bank, in favor of your firm, for $712.95.

Form 48. Check of H. B. Claflin & Co., dated City, Sept. 12, drawn on Traders National Bank, in favor of your firm, for $400.

Form 49. Invoice of Cobb, Bates & Co., dated City, Sept. 12. Terms: 3/10, net 30 da. Items as follows:

25 #16 L. Dressing Cabinets	25 #36 B Gentleman's Chiffoniers
25 #5932 Empire Toilet Tables	

Form 50. New York draft, dated Springfield, Sept. 15, drawn by The Union Bank of Springfield on Chemical National Bank, New York, in favor of G. H. Ingalls & Co., for $732.35, A. R. Sheffield, Cashier. Transferred to your firm by full indorsement.

Form 51. Check of Samuel W. Bradley, dated Bedford, Sept. 20, drawn on Traders National Bank, in favor of your firm, for $1587.60.

Form 52. Note of Chas. B. Sherman, dated Rochester, Sept. 20, at 30 da., with interest at 6%, in favor of your firm, for $352.69.

Form 53. Draft of Traders National Bank, dated Bangor, Sept. 20, drawn on Chemical National Bank, New York, in favor of your firm, for $454.06, W. H. Gould, Cashier.

Form 54. Invoice of William Leavens & Co., dated New York, Sept. 20. Terms: sight draft in 10 da., for the amount of the bill, less 2%. Items as follows:

25 #5926 Secretary Book Cabinets 40 #68 Oak Bookcases
50 #396 Mahogany Hall Stands

Form 55. Bill of the Metropolitan Carting Co., dated City, Sept. 30. Items as follows:

Sept. 2, Freight and Cartage, $9.75
14, Freight and Cartage, $23.
20, Cartage, $3.
24, Freight and Cartage, $17.40
30, Freight and Cartage, $55.80

Receipt the bill.

Form 56. Receipted bill of the Consolidated Gas and Electric Light Co., dated City, Sept. 30. Terms: cash, less 5%. Items as follows:

Meter at current date, 20,600 cu. ft.
Meter at last settlement, 14,300 cu. ft.
Gas consumed, 6300 cu. ft. at $1.20 per 1000

Opening the Work for September. The following are the memoranda of transactions for the work of the student during the month of September:

MEMORANDA OF TRANSACTIONS FOR SEPTEMBER

September 2

Pay by check S. T. Udell & Co.'s sight draft on your firm, in favor of W. D. Lapham, $479.50, Form 44.

Give J. O. Moran your note, at 60 da. from date, for $1900, on account.

Your bank informs you that the note of M. N. Overman, due Sept. 1, has been collected.

The Union Bank has collected the sight draft on Chas. B. Sherman, dated Sept. 1. Collection on the draft, 50¢.

This draft is for the invoice of *Aug. 2.*

September 3

Walker, Brown & Co., Albany, send in the following order. Fill the order at the prices given herewith:

5 #89 M. Chamber Sets at $80 5 pr. B. Chenille Curtains at $5
15 pr. #91 Lace Curtains at $6 2 #16 A C. Dining-room Sets at $110

Terms: 3/5, net 30 da.

J. B. Cox & Co., Somerville, order:

7 #572 Drawing-room Suites	3 #59 A Cheval Glasses
5 #3016 Fancy Rockers	12 #2546 Ant. Library Rockers

Fill the order. Terms: 20-day draft for the amount of the bill.

Treat in the same way as the order of *July 8*.

September 4

Pay Chas. O. Rigdon, by check, $61.70 for delivery equipment repairs.

Debit *Delivery Expense*.

The Metropolitan Carting Co. has delivered to your firm the goods ordered of the Fowler Furniture Co. on *Aug. 30*, Form 45.

September 5

Your note, in favor of Stoddard & Co., and your acceptance, in favor of the Derby Manufacturing Co., are due to-day.

Write a check for the payment of each, hand them in, and receive the canceled note and acceptance.

Your bank informs you that the draft on Henry L. Miller has been collected. Collection, $2.

Leave at the bank for collection the sight draft drawn on Benj. P. Freeman & Co. on *Aug. 26*, for the invoice of that date.

September 6

The Metropolitan Carting Co. has this day delivered to you the goods ordered of C. W. Allen & Co. on *Aug. 29*, Form 46.

E. F. Green & Co., Bangor, order the following. Fill the order at the prices given herewith:

15 #176 c Piano Chairs at $17	5 #835 Music Cabinets at $5
15 #170 E. Clothes Poles at $5.50	5 #6387 Hall Settles at $23.25

Rumors are current to the effect that the resources of E. F. Green & Co. are in an unsatisfactory condition, and you think it advisable not to sell them anything on account. Prepare the usual bill of lading. Make a sight draft on E. F. Green & Co., in favor of your firm, for the amount of the invoice, less 5%, and attach it to the bill of lading. Do not deduct the discount on the invoice nor in the sales book. (Refer to the comment on the shipment to P. R. Brown, *July 26*.)

Indorse the draft to the bank to which it is to be sent. Write a letter, inclose the draft and the bill of lading, and send it direct to Traders National Bank, Bangor, for collection.

E. F. Green & Co. have consented to the terms of this shipment.

September 7

Your offer to prepay your note in favor of J. O. Moran is accepted.

Refer to the notebook for all details regarding this note. Deduct the discount for the time the note has yet to run, and write a check for the proceeds. Have the note canceled, and keep it as a receipt.

The Union Bank has collected the sight draft on Benj. P. Freeman & Co., which was drawn on *Aug. 26* and left at the bank for collection on *Sept. 5*.

The Union Bank reports that J. B. Cox & Co. have accepted your draft on them for the invoice of *Sept. 3*.

Receive of Walker, Brown & Co. their check, for the invoice of *Sept. 3*, less 3%, Form 47.

September 10

Samuel W. Bradley, Bedford, sends in the following order. Fill the order at the prices given herewith:

5 #36 B G. Chiffoniers at $10 — 10 #27 C W.-wire Mattresses at $3.25
150 #16 K L. Dining Chairs at $9.50 — 50 #15 C. Dining Chairs at $2.25

Terms: 3/5, 2/10, net 30 da.

G. H. Ingalls & Co., Springfield, send in the following order. Fill the order at the prices given herewith:

5 #2546 A. Library Rockers at $12 — 5 #635 Brass Bedsteads at $22.50
5 #626 M. Office Chairs at $16.50 — 5 #572 D. Suites at $100

Terms: 3/5, 2/10, net 30 da.

September 12

Receive from H. B. Claflin & Co. their check, for their acceptance due to-day, Form 48.

Make the following record in red ink across the face of the draft, and then hand it in:

Paid in full 9/12
Student & Co.

Give Cobb, Bates & Co. the following order over the telephone:

25 #36 B Gentleman's Chiffoniers — 25 #5932 Empire Toilet Tables
25 #16 Lady's Dressing Cabinets

September 14

Write a letter to William Leavens & Co., New York City, ordering:

50 #396 Mahogany Hall Stands — 40 #68 Oak Bookcases
25 #5926 Secretary Book Cabinets

The Metropolitan Carting Co. has delivered the goods ordered of Cobb, Bates & Co. on *Sept. 12*, Form 49.

M. N. Overman, Albany, orders:

10 #50 Mahogany Parlor Tables 10 #10 China Closets

Fill the order. Terms: 3/10, net 60 da.

September 16

Chas. B. Sherman, Rochester, sends the following order. Fill the order at the prices given herewith:

5 #5932 E. Toilet Tables at $50 5 #50 M. Parlor Tables at $21.25

Terms: 30-day note with interest, less 1%.

The note will be received later; make no entry until it is received.

Receive of G. H. Ingalls & Co. a New York draft, in payment of the invoice of *Sept. 10*, less 3%, Form 50.

Deposit the checks, the New York draft, and all currency on hand.

September 18

Remit to C. W. Allen & Co. a check for the invoice of Sept. 2, less 2%.

Draw a sight draft on Foley Bros. in favor of Stoddard & Co. for $2250, and remit it to them, to apply on account.

September 20

Give Cobb, Bates & Co. a check for the invoice of *Sept. 12*, less 3%.

You and your partner each draw from the business, by check, $50.

Hand in Manning's check. Have your check cashed at the bank.

September 23

Receive of Samuel W. Bradley his check, on the Traders National Bank, in payment for the invoice of *Sept. 10*, less 2%, Form 51.

September 24

Receive of Chas. B. Sherman his note, dated Sept. 20, in favor of your firm, for the net amount of the invoice of *Sept. 16*, Form 52.

September 25

Receive a New York draft from the Traders National Bank, Bangor, for the amount of the sight draft on E. F. Green & Co., *Sept. 6*, less 75¢ collection, Form 53.

The account should be credited in the cashbook for the amount in the sales book.

The amount of the draft is the face of the invoice less 75¢. E. F. Green & Co. deducted the collection, and this necessitates a charge on your books for the 75¢, as it was paid by you.

September 26

Deposit the check which was received of Samuel W. Bradley on *Sept. 23*, and the New York draft on hand. The collection on Bradley's check is $1.50.

Your bank informs you that the acceptance of J. B. Cox & Co., *Sept. 3*, has been paid. Collection charges, $1.

September 27

The Metropolitan Carting Co. has delivered the goods ordered of William Leavens & Co. on *Sept. 14*, Form 54.

September 28

Discount at The Union Bank the note received of Chas. B. Sherman on *Sept. 24*.

The bank gives you credit for the face of the note.

NOTE. It is customary for some banks to give depositors credit for the face of interest-bearing notes if they are discounted within a few days after they are made. The interest is the compensation received by the bank.

Give J. L. Bidwell & Son a check for $125 for 1 carriage horse.

Debit this to the *Drawing* account of Harvey L. Manning.

September 30

Pay by check the bill of the Metropolitan Carting Co. for freight and drayage to date, $108.95, Form 55.

Debit *Merchandise Purchases*, $78.45, and *Freight and Cartage Out*, $30.50.

Pay by check the gas bill for the month, $7.18, Form 56.

Give each partner a check for his monthly salary, $100.

Pay by checks salaries to date as follows:

Harry K. Sutton	$60	Michael Donovan	$30
Harvey L. Grant	50	Daniel L. Coon	48
	Geo. W. Ainsley	$40	

Closing the Set. The student should now close the work for this month as follows:

1. An inventory of everything on hand has been completed by Mr. Sutton. A statement of it follows:

Make the extensions, at cost prices, on a sheet of journal paper, and file for future reference.

Inventories, September 30, 19—

Merchandise:

5 #3116 Antique Card Tables	12 #626 M. Office Chairs
14 #693 Antique Wardrobes	4 #50 M. Parlor Tables
10 #16 B Brass Easels	54 #396 M. Hall Stands
20 #635 Brass Bedsteads	17 #89 M. Chamber Sets
13 pr. Blue Chenille Curtains	20 #835 Music Cabinets
10 #245 Cedar Chests	25 #76 A Oak Chamber Sets
50 #15 Cane-seat Dining Chairs	10 #687 Ornamental Tables
2 #59 A Cheval Glasses	17 #2229 Oak Dining Tables
10 #71 A Child's Cribs	12 #73 Oak Writing Desks
7 #20 Corner Chairs	43 #68 Oak Bookcases
25 #16 A C. Dining-room Sets	5 #20 D Parlor Cabinets
5 #572 Drawing-room Suites	35 #176 C Piano Chairs
25 #5932 Empire Toilet Tables	10 #57 Reclining Couches
35 #170 English Clothes Poles	15 #17 A Roman Chairs
7 #3016 Fancy Rockers	9 #73 Sofa Beds
32 #36 B G. Chiffoniers	28 #5926 Sec. Book Cabinets
25 #6387 Hall Settles	10 #65 Turkish Rockers
50 #16 K L. Dining Chairs	14 #27 C W.-wire Mattresses
5 #169 C Library Tables	4 #16 Wool Mattresses
13 pr. #91 Lace Curtains	2 #495 White Iron Bedsteads

30 #16 Lady's Dressing Cabinets

Office Furniture:	
Depreciation	$5.15
Delivery Equipment:	
Depreciation	6.75
Building and Fixtures:	
Depreciation	12.50
Insurance for 1 mo.	12.50

2. Make the statements and have them approved.
3. If the statements are correct, close the ledger.
4. Rule all the personal accounts that balance.
5. Hand in all books to the instructor for approval.

DISSOLUTION OF PARTNERSHIP

Consequences of Dissolution of Partnership. The direct consequence of a dissolution of partnership is the necessity of taking effectual steps to close the partnership affairs. Some disposition must always be made of the partnership effects. Sometimes articles of copartnership provide that property on hand shall be taken at dissolution by one of the

partners according to a prescribed mode, and in that case the business may be continued without interruption.

In the following case (Set V) there was no such agreement, but the partners between themselves entered into an arrangement whereby Manning continues the business and *Student,* for a sufficient consideration, consents to withdraw.

Notice of Dissolution. A dissolution of partnership, so far as it concerns its own members, may be immediate, but with reference to the public the element of notice requires consideration.

A notice of dissolution is unnecessary:

1. When a partnership expires by its own limitation.
2. When a partnership is dissolved by the operation of law.
3. When dissolution occurs by the death of one of the partners.
4. When a dormant, or silent, partner retires.

A notice of dissolution should be published in one of the usual advertising newspapers of the city in which the business has been conducted. This notice is deemed sufficient for all those who have not had previous dealings with the firm.

A special notice of the dissolution should be sent to those who have had previous dealings with the firm.

Dissolving the Partnership, Set V. It has been decided to dissolve the partnership existing between yourself and Harvey L. Manning. You dispose of your interest to Manning for the following:

1. A note at 60 da., with interest at 6%, $7500.
2. A check for the balance of your present worth as shown by your ledger account after closing, Sept. 30.

Write the note and have the instructor sign for Manning.

Make the journal entry, and then record the note in the notebook.

Write the check for the *balance* of your *present worth.*

Post the entries to your accounts in the ledger and close the accounts.

Harvey L. Manning is to conduct the furniture business at the old stand under the name of Harvey L. Manning. He is to have the assets and assume all the liabilities of the old firm.

Draw a check in favor of Harvey L. Manning for the balance of the cash in the bank in the name of the old firm, and hand it in.

It is assumed that your attorney, Fred V. Smith, has drawn up the contract of sale and the warranty deed necessary to transfer the title to all the chattels and the real estate to Manning. These documents, it is assumed, are on file with other important papers.

Prepare a notice of your withdrawal from the firm.

A notice of dissolution should be inserted in a local paper, and a circular mailed to each firm with whom you have had dealings.

The writing of these notices is optional with the instructor.

After giving these notices your liability regarding new debts ceases.

DIVISION OF ACCOUNTS

Real accounts are divided into three general divisions, — assets, liabilities, and proprietary interest accounts.

Assets. Assets are property of value belonging to the business, or amounts due the business. In this set the asset accounts are:

Cash	Real Estate
Notes Receivable	Building and Fixtures
Accounts Receivable	Office Furniture
Merchandise Inventory	Delivery Equipment

Liabilities. Liabilities are amounts owed by the business. In this set the liability accounts are:

Notes Payable	Accounts Payable

Proprietary Interest Accounts. These accounts show the value of ownership or the net worth of the business. In a business which is conducted by a single proprietor or by partners, proprietary interest accounts are represented by the individual investment account with the Proprietor and with each of the partners. The drawing accounts and the *Profit and Loss* account are grouped under this division of accounts. In this set the proprietary interest accounts are:

Student, Investment	Harvey L. Manning, Drawing
Student, Drawing	Profit and Loss
Harvey L. Manning, Investment	

Nominal accounts are divided into two general divisions, — income accounts and expense accounts.

Income Accounts. Income accounts record the income received by the business. In this set the income accounts are:

Merchandise Sales	Interest Earned
Merchandise Discount on Purchases	

Expense Accounts. Expense accounts record the amounts spent with the object of earning a profit. In this set the expense accounts are:

Merchandise Purchases	Office Supplies
Salaries	Sundry General Expense
Freight and Cartage Out	Interest Paid
Delivery Expense	Merchandise Discount on Sales
Insurance	Collection and Exchange

Exercise 60. Review

For Oral and Written Work

1. Name all the accounts receivable in the ledger for Set V.
2. Name all the accounts payable in the ledger for Set V.
3. In the following trial balance, name the income accounts; the expense accounts.
4. Make the statements from the following trial balance:

Cash	$2651.40	
Notes Receivable	320.35	
Accounts Receivable	785.55	
Mdse. Inventory	3462.20	
Real Estate	2500.	
Building and Fixtures	3200.	
Office Furniture	135.	
Delivery Equipment	500.	
Notes Payable		$305.40
Accounts Payable		800.
Martin S. Lake, Investment		5500.
Martin S. Lake, Drawing	140.	
Henry A. Sampson, Investment		5500.
Henry A. Sampson, Drawing	100.	
Mdse. Sales		4828.35
Interest Earned		76.95
Mdse. Discount on Purchases		134.70
Mdse. Purchases	3072.50	
Salaries	156.65	
Sundry General Expense	10.	
Mdse. Discount on Sales	74.25	
Interest Paid	37.50	
	$17145.40	$17145.40

Inventories:

Merchandise	$3113.55
Building and Fixtures:	
Depreciation	32.
Office Furniture:	
Depreciation	2.70
Delivery Equipment:	
Depreciation	5.

5. Journalize orally or in writing each transaction of Set V in September.

The amounts may be omitted.

Exercise 61. Partnership Arrangements

For Written Work

Make entries for the following partnership arrangements:

1. Henry T. Jackson and James Young form a partnership as follows:

Henry T. Jackson invests cash, $1500, and a stock of merchandise valued at $2750.

James Young invests cash, $1250, and a lot worth $3000.

2. *Student* and Fred S. Carmen form a partnership as follows:

Student invests cash, $2000, and R. S. Good's note which he holds; face of the note, $500.

Fred S. Carmen invests cash equal to the total investment of *Student*.

3. Harold D. Powers owns a dry-goods business the present value of which is $16,450. He sells a half interest to Bernard F. Shaw for $8225.

4. George D. Fuller owns a drug store, and he values the store, fixtures, and stock at $12,600. Ralph F. Varley becomes an equal partner with Fuller by investing cash, $7600, and a stock of drugs worth $5000.

5. Henry S. Carey, George R. Downey, and Harry S. Mason form a partnership on the following conditions: the capital is to be $25,000, of which Carey invests $12,500, Downey invests $7500, and Mason borrows $5000 of Carey and invests it in the business.

QUERY. How much of the Mason investment and loan should be entered on the books of the business?

NOTE. The Formation of Partnerships is illustrated and discussed in Appendix F.

CHAPTER XXI

SET VI. WHOLESALE GROCERY BUSINESS

PRELIMINARY EXPLANATIONS

Object of the Set. The object of this set is to illustrate in a brief way a system of bookkeeping adapted to a general wholesale business.

Special Features. Among the special features of the set are:

1. Introduction and use of:

(*a*) Auxiliary ledgers
(*b*) Special-column cashbook
(*c*) Special-column journal
(*d*) Accruals
(*e*) Merchandise Trading account

2. Adjustment of interest in the proprietors' accounts.
3. Suggestions bearing upon business correspondence.

Books Used. The books used are the cashbook, the sales book, the purchase book, the journal, the purchase ledger, the sales ledger, the general ledger, the notebook, and the check book.

The notebook and the check book are the same as in the preceding sets.

Cashbook. The cashbook for this set (pages 258 and 259) is similar to the one used in Set V. Columns are provided on the debit side for *Net Cash*, *Discount on Sales*, *Accounts Receivable*, and *General*. All cash received is entered in the *Net Cash* column; if the amount is *not* for merchandise sold, extend the amount to the *General* column; if the amount is for merchandise sold, the discount on the invoice is entered in the *Discount on Sales* column; then the sum of the net cash and the sales discount is entered in the *Accounts Receivable* column.

Columns are provided on the credit side for *Net Cash*, *Discount on Purchases*, *Accounts Payable*, *Collection and Exchange*, and *General*. All cash paid is entered in the *Net Cash* column; if the amount is *not* for merchandise purchased, extend the amount to the *General* column; if the amount is for merchandise purchased, the discount on the invoice is entered in the *Discount on Purchases* column; then the sum of the net cash and the purchase discount is entered in the *Accounts Payable* column. Enter the collection and exchange items in the *Net Cash* column and in the *Collection and Exchange* column.

When proving cash use only the *Net Cash* column on either side.

To post the left side of the cashbook:

Credit each amount in the *Accounts Receivable* column to the proper account in the sales ledger.

Credit each amount in the *General* column to the proper account in the general ledger.

Debit the footing of the *Net Cash* column to the *Cash* account in the general ledger.

Cash Received, September, 19—

Date		F.	Account to be Credited	Explanation	Net Cash		Disc. on Sales		Accts. Rec.		General	
Sept.	1	✓	Balance	In bank	8000						8000	
	1	4	A. D. Main	Investment	5500						5500	
	1	4	R. R. Traver	Investment	5500						5500	
	2	1	Notes Receivable	Of W. E. Fry	1200						1200	
	6	14	W. A. Harman	Inv. 8/6, less 2%	490		10		500			
	6	16	F. E. Greene	Inv. 8/30, less 3%	1251	30	38	70	1290			
	8	18	Tenny & Co.	Inv. 8/30, less 3%	1513	20	46	80	1560			
	12	1	Notes Receivable	Note of J. H. Blair	900						900	
	12	6	Interest Earned	On above note	9						9	
	16	1	Notes Receivable	Note of R. Cook	1200						1200	
	16	6	Interest Earned	On above note	6						6	
	21	20	W. M. Fair	Inv. 9/3, less 3%	1105	80	34	20	1140			
	22	21	S. W. Hersey	Inv. 9/4, less 2%	392		8		400			
	25	24	Harding & Co.	Inv. 7/15	356	39			356	39		
	27	36	F. E. Rogers	Inv. 7/30	392	51			392	51		
	29	32	W. W. Baker	Inv. 9/16, less 3%	1455		45		1500			
					29271	20	182	70	7138	90	22315	
					(1)		(11)		(1)			

LEFT-HAND PAGE OF CASHBOOK, SET VI

Debit the footing of the *Discount on Sales* column to the *Merchandise Discount on Sales* account in the general ledger.

Credit the footing of the *Accounts Receivable* column to the *Accounts Receivable* account in the general ledger.

To post the right side of the cashbook:

Debit each amount in the *Accounts Payable* column to the proper account in the purchase ledger.

Cash Paid, September, 19—

Date		F.	Account to be Debited	Explanation	Net Cash		Disc. on Purch.		Accts. Pay.		Coll. and Ex.		General	
Sept.	1	9	Rent Paid	For the mo.	150								150	
	1	2	Insurance	Premium	120								120	
	1	10	Office Supplies	Stationery	27	50							27	50
	2	37	Marsh & Co.	Inv. 8/16, less 2%	2058		42		2100					
	2	✓	Coll. and Exch.	On checks	2	15					2	15		
	4	39	Pond & Co.	Inv. 8/31, less 3%	970		30		1000					
	5	3	Notes Payable	Favor F. S. Lee	1000								1000	
	5	11	Interest Paid	On above	10								10	
	6	✓	Coll. and Exch.	On checks	3						3			
	9	47	Curtis & Co.	Inv. 7/10	395	62			395	62				
	9	54	Bond & Co.	Inv. 7/16	1193	64			1193	64				
	11	10	Office Supplies	Stamps	5	42							5	42
	11	10	Office Supplies	Stationery	16	98							16	98
	12	9	Lane & Co.	Inv. 8/17	169	50			169	50				
	17	42	White & Co.	Inv. 8/12, less 2%	1666		34		1700					
	18	40	Curr & Co.	Inv. 8/18, less 2%	882		18		900					
	18	11	Sund. Gen. Exp.	Telegram		75								75
	19	✓	Coll. and Exch.	On checks	1	65					1	65		
	19	7	Salesmen's Sal.	H. A. Tate	125								125	
	19	3	Notes Payable	Favor A. Swan	1500								1500	
	19	11	Interest Paid	On above	7	50							7	50
	22	✓	Coll. and Exch.	On checks		75						75		
	23	2	Office Furn.	Safe	250								250	
	23	2	Office Furn.	Letter file	9	50							9	50
	24	8	Fuel	Bill for coal	13	50							13	50
	25	10	Office Sal.	To date	220								220	
	26	1	R. R. Traver	Drawing acct.	100								100	
	26	1	A. D. Main	Drawing acct.	100								100	
	28	42	White & Co.	Inv. 8/31, less 2%	392		8		400					
	28	✓	Coll. and Exch.	On N. Y. draft		25						25		
	28	✓	Coll. and Exch.	On check		40						40		
	30	3	Notes Payable	Favor J. Green	400								400	
					11791	11	132		7858	76	8	20	4056	15
					(1)		(7)		(3)		(11)			

RIGHT-HAND PAGE OF CASHBOOK, SET VI

Debit each amount in the *General* column to the proper account in the general ledger.

Credit the footing of the *Net Cash* column to the *Cash* account in the general ledger.

Credit the footing of the *Discount on Purchases* column to the *Merchandise Discount on Purchases* account in the general ledger.

Debit the footing of the *Accounts Payable* column to the *Accounts Payable* account in the general ledger.

Debit the footing of the *Collection and Exchange* column to the *Collection and Exchange* account in the general ledger.

Refer to the model cashbook when posting.

Sales Book. This book is treated, except for the posting, in the same way as the sales book used in the previous sets. The amounts of the various sales are posted separately to the debit of the personal accounts in the sales ledger. When the sales book is closed, the total sales are posted regularly to the debit of *Accounts Receivable* and to the credit of *Merchandise Sales* in the general ledger.

		20 pkg. S. Yeast Cakes	1.05	21			
		500 lb. P. Tapioca	4¢	20			
		25 bbl. R.P. Flour	4.75	118	75		
		40 doz. bottles M. Pickles	2.25	90		572	98
		16					
	24	J. M. Martin & Co., Albany					
		2/10, net 30 da.					
		25 bx. W.L. Soap	2.	50			
		5 bbl. C.R. Oatmeal	5.50	27	50		
		5 bbl. S.P. Flour	4.25	21	25		
		150 gal. P.R. Molasses	30¢	45			
		150 gal. U.O. Molasses	40¢	60		203	75
		Total sales for month				6762	95
	1	Accounts Receivable		6762	95		
	7	Mdse. Sales				6762	95

FORM FOR MAKING CLOSING ENTRY IN SALES BOOK

NOTE. The sales book of some large concerns is provided with an extra column for cash sales; the different amounts in this column are not posted to the sales ledger, but the total is entered in the cashbook daily, and credited to the *Merchandise Sales* account at regular intervals. The general practice, however, is to treat all cash sales to all customers in just the same way as sales on account; that is, the goods are charged to the customer from the sales book and his account is credited through the cashbook for the amount received. The latter practice is followed throughout this text. The chief arguments in favor of this plan are as follows:

1. In most wholesale houses cash is understood generally to mean payments that are made within five or ten days from the date of the bill.

2. Wholesale houses would not be justified in quoting the same terms to all customers; those who buy in large quantities can be given better terms than those who buy in small quantities. As a basis for determining the best possible terms, a customer's ledger account should be consulted. This account is incomplete, not furnishing full information, if the cash sales are not entered in the customer's account in the ledger.

3. In some instances a customer, for good business reasons, might call for a statement of all his transactions for a year, and it would be to any dealer's advantage to be able to furnish such a statement readily. This is made possible by keeping an account with each customer.

Purchase Book. This book is the same as the one used in the preceding sets, with which the student is already familiar.

In this set, close the purchase book with the following entry: *Merchandise Purchases, Dr.*, and *Accounts Payable, Cr.* The closing entry is posted to the general ledger.

In posting, credit each amount in the purchase book to the proper account in the purchase ledger.

In this text, discounts will not be recorded on the invoice nor in either the purchase book or the sales book. Enter each invoice bought or sold at its *face* value, and if there is a cash discount or a discount for early payment, such discount and net cash will be entered in the cashbook. Observe this uniformly.

If discounts are handled in the above manner, all *Merchandise Discount on Sales* and *Merchandise Discount on Purchases* will appear in the general ledger accounts and afford complete records of *all* discounts received or allowed. Those are items of valuable information both to the bookkeeper and to the Proprietor.

Journal. The journal used in this set is provided with special columns. (See model journal, pages 262 and 263.)

This book is sometimes provided with a large number of columns to meet the requirements of some lines of business. The columns used here, however, are sufficient to give the student an idea of how special columns may be used to advantage in the journal.

The *Purchase Ledger Debits* column may be used to advantage in houses where a separate ledger is kept for accounts with those from whom goods are bought. Any charges to these accounts in the journal should be extended into this column. The several amounts are posted separately to the debit side of the accounts in the purchase ledger, and the total is carried regularly to the debit of *Accounts Payable* in the general ledger.

Boston, Mass., September 15, 19—

Date	F.	Entry and Explanation	Purchase Ledger Debits	General Ledger Debits	Sales Ledger Credits	General Ledger Credits
		M. O. Barry, R. O. Cook, and D. W. Baker have entered into a copartnership agreement for the purpose of conducting a wholesale grocery business under the firm name of Barry, Cook & Co. The articles of copartnership, executed Sept. 15, have been filed.				
Sept. 15		Notes Receivable		5000		
		M. O. Barry, Investment				5000
		Thirty-day note of Hall & Son, dated Sept. 1, and assigned to the firm by full indorsement.				
18		Barry, Cook & Co. have this day bought the assets and are to assume the liabilities of the late firm of A. J. Weaver & Co., as per contract on file.				
18		Mdse. Inventory		10250 40		
		Notes Receivable		2450 95		
		Office Furniture and Furnishings		850		
		Good Will		3000		
		Accounts Receivable		3255 75		
		Insurance		125 75		
		A. J. Weaver & Co.				19932 85
		To debit the assets of A. J. Weaver & Co., and to credit that firm for the sum.				
18		A. J. Weaver & Co.		4715 25		
		Notes Payable				1900
		Accounts Payable				2815 25
		To credit the liabilities of A. J. Weaver & Co., assumed by us, and to debit that firm for the sum.				
26		H. C. Brown & Co.	1325			
		Notes Payable				1325
		Accepted their 10-day draft to apply on account.				
27		Williams & Co.	300			
		S. W. Rollins			300	
		Drew a sight draft and remitted it on account.				
		Carried forward	1625	29648 10	300	30973 10

Boston, Mass., September 27, 19—

Date	F.	Entry and Explanation	Purchase Ledger Debits	General Ledger Debits	Sales Ledger Credits	General Ledger Credits
		Brought forward	1625	29648 10	300	30973 10
Sept. 27		Notes Receivable		450 24		
		Eaton & Co.			450 24	
		Received their 30-day note to apply on account.				
			1625	30098 34	750 24	30973 10
		Accounts Payable		1625		
	✓	General Ledger Debits		30098 34		
		Accounts Receivable				750 24
	✓	General Ledger Credits				30973 10
				31723 34		31723 34

MODEL JOURNAL, SET VI (CONTINUED)

The *General Ledger Debits* column contains all the items of charge in the journal except the purchase ledger debits. The total of this column is not posted.

The *Sales Ledger Credits* column may be used to advantage in most houses where a separate ledger is kept for accounts with those to whom goods are sold. Any credits to these accounts in the journal should be entered in this column. The several amounts are posted separately to the credit side of the accounts in the sales ledger, and the total is carried regularly to the credit of *Accounts Receivable* in the general ledger.

The *General Ledger Credits* column contains all the items of credit in the journal except the sales ledger credits. The total is not posted.

Purchase Ledger. The purchase ledger contains a record of transactions with the creditors. The principal items of credit in this ledger are posted from the purchase book, and the main items of charge from the cashbook; but both debits and credits for the creditors' accounts may come from the journal.

Sales Ledger. The sales ledger contains a record of transactions with customers. The main items of charge come from the sales book, and the main items of credit from the cashbook; but both debits and credits for the customers' accounts may come from the journal.

General Ledger. The general ledger contains a record of all accounts of the business not entered in the purchase ledger or the sales ledger.

An *auxiliary ledger* contains a detailed record of accounts which appear in a summary account in the general ledger.

The *Accounts Receivable* account, or the sales ledger account, in the general ledger represents the sales ledger, and the balance of the account should equal the sum of the balances in the sales ledger. The *Accounts Payable* account, or purchase ledger account, in the general ledger represents the purchase ledger, and the balance of the account should agree with the sum of the balances in the purchase ledger.

Controlling Account. A controlling account is kept in the general ledger for the purpose of summarizing the details of accounts kept in some auxiliary ledger. The balance of the controlling account should agree with the sum of the balances of the individual accounts in the auxiliary ledgers, and thus is said to control those ledgers. If a controlling account and its auxiliary ledger are not in agreement, the errors must be discovered and corrected as soon as possible.

In a business where customers' and creditors' accounts are kept in separate ledgers, as in this set, controlling accounts are kept in the general ledger with *Accounts Receivable* and *Accounts Payable*. The first of these accounts summarizes the detail appearing in the individual customers' accounts in the sales ledger, while the second serves in a similar way for the purchase ledger.

All details of debit and credit relating to accounts receivable will appear in the sales ledger under the individual customer's account, but the totals of the debits and the credits will appear in the *Accounts Receivable* account in the general ledger.

The *advantages* of using a controlling account are as follows:

1. The trial balance of the general ledger is shortened because all the amounts of the customers and the creditors appear summarized under *Accounts Receivable* and *Accounts Payable* respectively.

2. These accounts are checks against errors in the auxiliary ledgers.

3. A glance at the controlling accounts shows the amount owed to the business or the amount owed by the business to customers and creditors. Without these controlling accounts it would be necessary to take an abstract of the sales ledger to find how much is owed to the business on account, and of the purchase ledger to find how much the business owed on account.

4. By using auxiliary ledgers several persons can be working on ledgers at the same time.

The discussion of the controlling account and its advantages also sets forth the advantages of using the auxiliary ledgers; also, these ledgers permit a division of customers' and creditors' accounts, which is necessary in the bookkeeping of large concerns. They give a man classified information concerning many important details of his business.

Price Lists. The prices at which goods are to be bought and sold in this set are given in the list on page 266. In the third column are given instructions as to the quantities in which the different articles are put up for sale.

WORK FOR SEPTEMBER

Incoming Business Forms for September. A tablet, separate from the text, containing all the incoming business forms is available for use in writing this set when business practice is used. A list of the forms is given herewith, so that the text affords *all* material required for writing the set if business practice is omitted; also, these forms afford an opportunity for the study of the set as a whole before writing the same, thus meeting a requisite for adequate drill work, whether the business forms are used or not.

If business practice is used either with or without the tablet, the student should be given the necessary blank forms for making out the following:

Form 1. Check drawn by *Student* on Traders National Bank, dated City, Sept. 15, in favor of your firm, for $7000.

Form 2. Note of Frey & Brown, dated City, Sept. 1, at 3 mo., for $8000. Note is drawn in *Student's* favor and is transferred by him to his firm by full indorsement.

Form 3. Check of Geo. H. Dobbin, dated City, Sept. 15, drawn on Traders National Bank, in favor of your firm, for $10,000.

Form 4. Check of Arthur M. Black, dated City, Sept. 15, drawn on Traders National Bank, in favor of your firm, for $14,000.

Form 5. Note of F. Moore, dated Rome, Sept. 1, payable at The Union Bank, 2 mo. after date. Note is drawn for $1750, in favor of A. J. Weaver & Co., and is transferred to your firm by full indorsement.

Form 6. Note of Walter L. Parker, dated City, Sept. 1, payable at The Union Bank, 30 da. after date. Note is drawn for $700, in favor of A. J. Weaver & Co., and is transferred to your firm by full indorsement.

Form 7. Note of Benton Bros. & Co., dated City, Aug. 26, payable at The Union Bank, 60 da. after date. Note is drawn for $300, in favor of A. J. Weaver & Co., and is transferred to your firm by full indorsement.

Form 8. Bill of Eureka Coal Co. to your firm for 5 T. coal at $4.50. Terms: cash. The bill is dated City, Sept. 18, and is receipted.

Form 9. Bill of Geo. E. Roe & Co. for 1 auto delivery truck, $650. Terms: cash. The bill is dated City, Sept. 19, and is receipted for the firm by A. N. Clark.

PRICE LIST FOR SEPTEMBER AND OCTOBER

ARTICLE	DESCRIPTION	HOW PUT UP FOR SALE	COST	SELLING PRICE
Baking Powder	Royal	Cases of 1 doz. 1-lb. cans	$3.60 case	$4.80
" "	Cleveland's	" " "	3.50 case	4.50
Beans	Lima	Bulk	3.25 bu.	3.50
"	New York Medium	"	2.50 bu.	2.75
Butter Color		Boxes	1.50 box	2.00
Cocoa	Baker's	1-lb. cans	.48 lb.	.60
"	Huyler's	½-lb. and 1-lb. cans	.43 lb.	.58
Coffee	Plain Rio	125 lb. to bag	.24 lb.	.28
"	Genuine Mocha	150 lb. to bale	.20 lb.	.24
"	Fancy Java	75 lb. to mat	.23 lb.	.30
Chocolate	Hasty Lunch	24 1-lb. tins in box	.29 lb.	.35
"	Baker's	12 1-lb. tins in box	.27 lb.	.34
Crackers	Oyster	60 lb. to bbl.	.08 lb.	.10
"	Cream Soda	" "	.06 lb.	.08
Candy	Stick	Pails	.12 lb.	.14
"	Standard Mixed	"	.10 lb.	.12
"	Empire Chocolate Drops	5-lb. boxes	.07 lb.	.10
"	Peppermint Creams	30-lb. pails	.04 lb.	.06
"	Mixed Creams	Pails	1.40 pail	2.10
Diamond Salad Dressing		Cases of doz. bottles	.90 case	1.20
Evaporated Fruits	Apricots	25-lb. boxes	.08 lb.	.10
" "	Apples	50-lb. boxes	.04½ lb.	.06
" "	Raspberries	Bulk	.17 lb.	.22
Fish	Cream Codfish	40-lb. boxes	.07½ lb.	.09
"	No. 1 Mackerel	20-lb. pails	1.80 pail	2.40
Flour	Roller Process	Barrels	3.50 bbl.	4.75
"	Searchlight Pastry	"	3.35 bbl.	4.50
"	Puritan Pancake	Cases of 20 5-lb. sacks	.12 sack	.15
"	Chef Pastry	" " "	.15 sack	.18
Horse-radish		Cases of 1 doz. bottles	.65 case	.90
Insect Powder		Boxes	.16 box	.24
Mucilage		Boxes of 3 doz. bottles	.90 box	1.20
Matches	Gates	3-gro. pkg.	.90 pkg.	1.20
"	Parlor	1-gro. boxes	1.15 box	1.53
Molasses	Porto Rico	Bbls. of 50 gal.	.25 gal.	.30
"	New Orleans	" "	.30 gal.	.36
Mixed Pickles		Doz. bottles	1.70 doz.	2.20
Oatmeal	Cedar Rapids	Barrels	4.50 bbl.	6.00
"	H. O.	24 2-lb. pkg. in box	2.35 box	3.10
Olives		Pint cans	2.20 doz.	2.75
Raisins	London Layer	20-lb. boxes	.07 lb.	.10
"	California	50-lb. boxes	.07 lb.	.09½
Sugar	Standard A	325-lb. bbl.	.04 lb.	.05
"	Fine Granulated	" "	.05 lb.	.06
"	White C	330-lb. bbl.	.03 lb.	.04½
"	Brown C	300-lb. bbl.	.02½ lb.	.03½
Soap	Sunlight	Boxes of 100 bars	3.00 box	4.00
"	Wool	Boxes of 100 cakes	3.00 box	4.00
"	Water Lily	Boxes	1.70 box	2.20
Salt	Ice Cream	200-lb. bags	.57 bag	.75
"	Lehigh Lump	280-lb. bbl.	1.50 bbl.	1.75
Starch	Golden Grain	160-lb. bbl.	.03 lb.	.04
"	Hoyt's Wheat	" "	.05 lb.	.06½
"	Laundry	" "	.02½ lb.	.03¾
Tea	Choice Japan	75 lb. to half chest	.26 lb.	.35
"	Medium Young Hyson	70 lb. to half chest	.21 lb.	.28
"	Finest Oolong	60 lb. to half chest	.35 lb.	.51
Tapioca	Pearl	Bulk	.03 lb.	.04½
"	Flake	"	.03½ lb.	.04¾
"	Rio	"	.06 lb.	.09
Yeast Cakes	National	Pkg. of 1 doz. cakes	.37½ pkg.	.50
" "	Sunlight	Pkg. of 3 doz. cakes	.75 pkg.	1.00

Form 10. Bill of the Daily Transcript Co. for advertising to date, $49.23. Terms: cash. The bill is dated City, Sept. 19, and is receipted.

Form 11. Bill of R. H. Myers & Co. for 1 sales ledger, $1.50; 1 purchase ledger, $1.50; 1 general ledger, $3; 1 journal, 75¢; 1 cashbook, $2.75; 1 notebook, 75¢; 5 M No. 6 envelopes and printing, $6.50; 5 M sheets letter paper and printing, $9.60. Terms: cash, less 1%. The bill is dated City, Sept. 20, and is receipted.

Form 12. Bill of Eureka Coal Co. to Geo. H. Dobbin for 3 T. coal at $4.50. Terms: cash. The bill is dated Sept. 20, and is receipted.

Form 13. Letter of application to your firm from Albert B. Curtis, dated City, Sept. 19. Applicant saw your advertisement in the *Evening Transcript* for a shipping clerk, and wishes to be considered an applicant for the position. He is a high-school graduate and has had experience as a salesman with the firm of W. H. Glenny & Co., City. He refers to John W. Nellis, principal of the high school, and to G. B. Watkins, manager for W. H. Glenny & Co.

Inclose the letter in an envelope, properly addressed.

Letters of Application. In writing letters of application the following points should be observed:

1. Use proper materials:

(*a*) Good ink
(*b*) Paper of the proper size and quality
(*c*) Envelopes of the proper size and quality

2. Use good mechanical and grammatical construction.
3. Brief and concise expressions should be used.
4. The letter should have good tone:

(*a*) Frank, sincere expressions
(*b*) Truthfulness
(*c*) Sufficient self-confidence and self-respect. (State your qualifications modestly but frankly)

5. Give all necessary information with regard to yourself:

(*a*) Qualifications, general and special
(*b*) Age (sometimes; instructor should explain)
(*c*) References
(*d*) Salary expected (sometimes; instructor should explain)

6. The introduction and closing should be courteous.

Form 14. Draft of The Union Bank, dated City, Sept. 21, drawn on Chemical National Bank, New York, in favor of your firm, for $841.47, W. B. Frey, Cashier.

Form 15. Sight draft, dated City, Sept. 21, drawn by David R. Warriner, in favor of himself, on Arthur M. Black, one of your firm, for $50.

Form 16. Draft drawn by The Union Bank, dated City, Sept. 24, on Chemical National Bank, New York, in favor of your firm, for $1297.18, W. B. Frey, Cashier.

Form 17. Draft drawn by Traders National Bank, Weedsport, Sept. 23, on Chemical National Bank, New York, in favor of F. W. Earl & Co., for $950, C. W. Amsden, Cashier. The draft is transferred to your firm by full indorsement.

Form 18. Check of D. L. Hinman & Co., dated City, Sept. 24, on Traders National Bank, in favor of your firm, for $411.99.

Form 19. Invoice of Walter Baker & Co., dated New York, Sept. 22. Terms: 3/5, net 30 da. Items as follows:

500 1-lb. cans B. Cocoa — 500 bx., 6000 lb., B. Chocolate
5000 lb. P. Tapioca

Form 20. Draft drawn by Traders National Bank, Allston, Sept. 24, on Chemical National Bank, New York, in favor of Clinton, Jones & Co., for $292.04, W. F. Pratt, Cashier. The draft is transferred to your firm by full indorsement.

Form 21. Invoice of Smith, Perkins & Co., dated New York, Sept. 24. Terms: 5/10, net 30 da. Items as follows:

50 bags, 6250 lb., P.R. Coffee — 100 half chests, 7500 lb., C.J. Tea
50 bales, 7500 lb., G.M. Coffee — 100 half chests, 6000 lb., F.O. Tea
100 mats, 7500 lb., F.J. Coffee

Form 22. Note of Frank Moore & Son, dated City, Sept. 25, drawn, in favor of your firm, for $745.69, payable 10 da. from date, at The Union Bank.

Form 23. Check of Salisbury, Gray & Co., dated Rochester, Sept. 24, on Traders National Bank, drawn, in favor of your firm, for $260.51.

Form 24. Check of J. D. Manning, dated Albany, Sept. 24, on Traders National Bank, in favor of your firm, for $600.

Form 25. Bill of R. O. Merrill & Co., dated City, Sept. 25. Terms: cash. Items as follows:

30 #16 Packing Boxes at 20¢ — 35 #3 Packing Boxes at 10¢

The bill is receipted by O.W.

Form 26. Invoice of Geo. H. Buell & Co., dated City, Sept. 26. Terms: 30-day note in 10 da., without interest, less 1%. Items as follows:

240 bu. N.Y. Medium Beans — 200 lb. E. Raspberries
25 bx., 1250 lb., E. Apples

Do not deduct the discount on the invoice.

Form 27. Invoice of J. E. Seel & Co., dated City, Sept. 26. Terms: 2/10, net 30 da. Items as follows:

25 pails M.C. Candy — 500 lb. S.M. Candy
50 bbl. L.L. Salt

Form 28. Check of T. B. Welch & Co., dated Medford, Sept. 25, on Traders National Bank, in favor of your firm, for $296.94.

Form 29. Draft drawn by The Union Bank, dated City, Sept. 22, on Chemical National Bank, New York, in favor of your firm, for $1949.70, W. B. Frey, Cashier.

Form 30. *C.O.D.* envelope. Data as follows: Cash inclosed, for amount of the invoice, $18.60. Goods were shipped by your firm to W. D. Greene, Dansville, Sept. 25.

NOTE. An envelope containing the required amount of cash will be found in the back part of the tablet of incoming business forms. If business practice is used and the incoming business forms are not used, get the cash of the instructor.

This is a C.O.D. shipment by express.

Form 31. Draft drawn by Traders National Bank, Troy, on Chemical National Bank, New York, in favor of Williams, Harmon & Co., for $399.35, R. C. Cook, Cashier. Draft is dated Sept. 25 and is transferred to your firm by full indorsement.

Form 32. Sight draft of Salisbury, Gray & Co., dated Rochester, Sept. 25, in favor of your firm, on J. E. Seel & Co., City, for $50.

Form 33. Invoice of Stickney, Poor & Co., dated New York, Sept. 26. Terms: 3/10, net 60 da. Items as follows:

100 bx., 2500 lb., E. Apricots — 250 bx. Insect Powder
50 bx. Butter Color — 50 bx., 2500 lb., E. Apples
100 bx. Mucilage — 100 bbl. R.P. Flour

The discount is not deducted and the bill is receipted.

Form 34. Check of W. L. Anderson, dated Perth Amboy, Sept. 26, on Traders National Bank, in favor of your firm, for $400.

Form 35. Invoice of Gray, Dunkle & Co., dated Chicago, Sept. 26. Terms: 3/10, net 30 da. Items as follows:

25 bbl., 7500 lb., Br.C Sugar — 10 bbl., 3300 lb., Wh.C Sugar
200 half chests, 14,000 lb., M.Y.H. Tea

Form 36. Check of James K. Lusk, dated City, Sept. 28, on Traders National Bank, in favor of your firm, for $369.07.

Form 37. Invoice of Bates, Aldrich & Co., dated Boston, Sept. 27. Terms: 3/5, net 30 da. Items as follows:

100 1-lb. cans Huyler's Cocoa — 100 pails M.C. Candy
50 bbl. S.P. Flour — 20 bbl., 6500 lb., St.A Sugar
20 bbl., 6500 lb., F.G. Sugar

Form 38. Invoice of D. W. Simpson & Co., dated Chicago, Sept 27 Terms: 3/10, net 30 da. Items as follows:

50 bx. S. Soap — 125 bx. W. Soap
50 cases, 1000 sacks, C.P. Flour — 50 bx. W.L. Soap
20 bbl., 1200 lb., O. Crackers — 5 cases, 100 sacks, P.P. Flour
20 bbl., 1200 lb., C.S. Crackers

Form 39. Draft drawn by The Union Bank, dated City, Sept. 28, on Chemical National Bank, New York, in favor of your firm, for $907.43, W. B. Frey, Cashier.

Form 40. Check of W. D. Packard & Co., dated City, Sept. 28, on Traders National Bank, in favor of your firm, for $605.38.

Form 41. Note of D. L. Hinman & Co., dated City, Sept. 29, payable at The Union Bank, 10 da. from date, to your firm, $500.

Form 42. Bill of Enterprise Carting Co., dated City, Sept. 29. Terms: cash. Items as follows:

Sept. 24, Freight, $15.75; Cartage, $1.50
27, Freight, $49.25; Cartage, $6.50
28, Cartage, $4.75

The bill is receipted by W.M.O.

Opening the Set. The following transactions are for the work during the month of September:

MEMORANDA OF TRANSACTIONS FOR SEPTEMBER

Saturday, Sept. 15

Student has recently had a number of conferences with Arthur M. Black and George H. Dobbin relative to making an investment and entering into a partnership with them for the purpose of conducting a wholesale grocery business.

To-day it has been decided to enter into a partnership for the purpose of conducting a wholesale grocery business under the following conditions:

1. The name of the copartnership will be *Student*, Black & Co.
2. Investments will be as follows:

a. Arthur M. Black makes a cash investment of $14,000.

b. Geo. H. Dobbin makes a cash investment of $10,000.

c. *Student* makes a cash investment of $7000, and a note of Frey & Brown in his favor, dated Sept. 1, at 3 mo., for $8000, without interest.

3. The partnership shall continue for two years, unless the parties mutually consent to a dissolution at an earlier date.
4. Profits shall be shared equally and losses borne equally.
5. *Student* and Black shall each receive $200 per month for their services, and Dobbin shall receive $150.
6. Whenever the books of the firm are closed, each partner shall receive interest at 6% on all sums invested.

Draw up articles of copartnership, fully covering the above points. (See Form II, Appendix D.)

Fold and brief the articles and then hand them in.

Each partner pays his investment as per agreement.

Receive the three checks. Dobbin's and Black's checks are Forms 3 and 4. Your check and note are Forms 1 and 2.

In the cashbook, credit *each* partner in the *Investment* account with the amount of his cash investment.

For the note invested by *Student*, make the following journal entry: *Notes Receivable*, *Dr.*, and *Student*, *Investment*, *Cr.* Record the note in the notebook.

In the general ledger *each* partner will have an *Investment* account and a *Drawing* account.

Open an account with The Union Bank and deposit the three checks on hand.

When signing the name of the firm to indorsements, notes, checks, etc., sign *Student*, Black & Co.

Monday, Sept. 17

A. J. Weaver & Co., of your place, have offered to sell you the entire assets and liabilities of their business, located at 420 State St., on the following conditions:

1. That you allow them $6000 for the good will of their business.
2. That you buy all their assets at book value, the personal accounts and the quality and the quantity of the merchandise on hand to be covered by their written guarantee.
3. That you assume their lease of the building at 420 State St. and pay all their liabilities.
4. That you pay them for the net assets of the business, cash $14,000, and the balance in two notes payable in 3 mo. and 6 mo., respectively, without interest.

Good Will. Good will is the value of the accumulated favorable impression produced upon patrons or the community. This impression may be produced through the individuality of the proprietors, location of the business premises, reputation of the proprietors and of the goods sold, the business connections, the use of trade-marks, and continued advertising.

The account with good will is seldom opened except in connection with the purchase and sale of an established business.

When a business changes ownership, the good will is then subject to a definite valuation, as agreed upon by the buyer and the seller.

After good will is valued, purchased, and recorded in an account, there is a difference of opinion as to whether a definite portion of the account should be carried regularly to the *Profit and Loss* account, or whether the account should remain upon the books at cost price.

In the course of time the plan of carrying a certain portion of the *Good Will* account to the *Profit and Loss* account will eliminate it from the open ledger accounts of the business.

Regardless of the treatment accorded the account, the next purchaser of the business would value the good will existing at the time he buys the business quite independently of any previous valuation of this asset.

You accept the proposition of A. J. Weaver & Co. and ask them to make out a contract of sale at once.

Tuesday, Sept. 18

Open the following accounts in the general ledger in the order named. Allow one fourth of a page for each account.

Cash
Notes Receivable
Accounts Receivable
Merchandise Inventory
Office Furniture and Furnishings
Delivery Equipment
Good Will
Notes Payable
Accounts Payable
Accrued Expense
Accrued Salaries
Student, Investment
Student, Drawing
Arthur M. Black, Investment
Arthur M. Black, Drawing
Geo. H. Dobbin, Investment
Geo. H. Dobbin, Drawing
Merchandise Trading
Profit and Loss
Sundry Expense Inventories
A. J. Weaver & Co.
Merchandise Sales
Interest Earned
Merchandise Discount on Purchases
Merchandise Purchases
Freight and Cartage Out
Fuel
Light
Rent Paid
Insurance
Advertising
Packing Expense
Delivery Expense
Salaries
Office Supplies
Sundry General Expense
Interest Paid
Merchandise Discount on Sales
Collection and Exchange

A contract of sale covering the following assets and liabilities was received by Mr. Black from A. J. Weaver & Co. this morning. It was duly examined by Joseph M. Gordon, Esq., the attorney for your firm, and when found strong and binding in every way was filed among other important papers in the firm's safe.

NOTE. A contract of sale may be made out by A. J. Weaver & Co. and delivered to the new firm.

The making of this form is not essential in the student's work and may be omitted.

ASSETS

Mdse. Inventory, per schedule on file		$14609.50
Notes Receivable, per the following list:		2750.
1. Note of F. Moore, at 2 mo. from Sept. 1	$1750.	
2. Note of Walter L. Parker, at 30 da. from Sept. 1	700.	
3. Note of Benton Bros. & Co., at 60 da. from Aug. 26	300.	
Office Furniture and Furnishings, per schedule on file		1920.
Insurance, unexpired		240.
Good Will, estimated value		6000.
Accounts Receivable, per the following list:		16814.10
Williams, Harmon & Co., Troy	6252.60	
Fred W. Hill & Co., Rome	1642.40	
W. L. Anderson, Perth Amboy	1400.	
Frank Moore & Son, City	2145.69	
James K. Lusk, City	592.50	
J. D. Manning, Albany	1600.	
D. L. Hinman & Co., City	420.40	
F. W. Earl & Co., Weedsport	1500.	
Salisbury, Gray & Co., Rochester	1260.51	

LIABILITIES

Notes Payable, per the following list:		$2300.
1. Note at 30 da. from Aug. 26, in favor of King & Co., payable at The Union Bank	$1500.	
2. Note at 30 da. from Sept. 3, in favor of Boyd, Evans & Co., payable at The Union Bank	800.	
Accounts Payable, per the following list:		18166.
Walter L. Mann & Co., Boston	2150.	
D. W. Smith & Co., New York	2100.	
Smith, Perkins & Co., New York	1450.	
Bates, Aldrich & Co., Boston	1365.45	
D. W. Simpson & Co., Chicago	7100.55	
Gray, Dunkle & Co., Chicago	4000.	

NOTE. In actual business the two notes payable would be in the possession of the payees or the bank at which they are made payable. In this case it is assumed that they are in the possession of the bank for collection. The student will therefore need to draw up both notes and hand them to the bank or to the instructor. Indorse them as they should be indorsed by the payees when left at the bank for collection.

Write the check and the notes in payment of the purchase from A. J. Weaver & Co., as per agreement.

Study the entries in the model journal which relate to the purchase of the business of A. J. Weaver & Co. Make similar entries for the assets and the liabilities of A. J. Weaver & Co.

Give A. J. Weaver & Co. a check for $14,000. Enter it in the cashbook and post it.

Prepare the two notes for the balance due A. J. Weaver & Co. Make a journal entry for the amount of the notes and post it. Rule their account; also enter the notes payable in the notebook.

Enter the notes receivable purchased from A. J. Weaver & Co., Forms 5, 6, and 7, in the notebook; also enter the notes payable in the notebook.

Post the journal and the cashbook entries made to the general ledger. If necessary, consult the instructor.

After posting the journal entries to the general ledger, debit the several personal accounts receivable in the sales ledger and credit the several personal accounts payable in the purchase ledger.

Allow one fourth of a page for each account in the sales ledger and the purchase ledger.

Prepare an index for each ledger, — the general ledger on the first page, and the others on the second page.

In the sales ledger and the purchase ledger, write the address after each ledger title. This should be written in a smaller hand, just to the right of the title.

Wednesday, Sept. 19

You desire to engage the services of a competent shipping clerk and decide to insert an advertisement in the *Evening Transcript* of your place. Prepare an advertisement, stating the qualifications you consider desirable.

Write checks in payment of the following: bill of Eureka Coal Co., Form 8, for coal, $22.50; bill of Geo. E. Roe & Co., Form 9, for 1 auto delivery truck, $650; bill of the Daily Transcript Co., Form 10, for advertising to date, $49.23.

Debit *Fuel* for the coal bill; *Delivery Equipment* for the auto truck; *Advertising* for the bill of the Daily Transcript Co.

NOTE. Unless otherwise instructed, hand in all outgoing papers.

Write letters, ordering the following:

1. Of Walter Baker & Co., New York, the goods outlined in Form 19, page 268. Give references and shipping directions and ask for the best cash discounts.

2. Of Smith, Perkins & Co., New York, the goods outlined in Form 21, page 268.

These people have had extensive dealings with the old firm of A. J. Weaver & Co., but you are entire strangers to them. Give such information concerning your firm as will secure prompt shipment of the goods you order. If necessary, consult the instructor.

Thursday, Sept. 20

Pay the following bills by checks: bill of R. H. Myers & Co., Form 11, for office books, stationery, etc., $26.09; bill of Eureka Coal Co., Form 12, for the *Drawing* account of Geo. H. Dobbin, $13.50.

Drawing Accounts. Strictly speaking, these accounts do not represent a part of the investment of any business, but rather the items show the dealings of the business with the individual members of the firm; it is therefore desirable that they be kept separate from the accounts representing the capital of the concern.

The failure to keep such accounts confuses business and private affairs, fosters carelessness and extravagance, and sometimes results in financial disaster.

The investment is to be used in carrying on the business, and is not to be disturbed except by agreement of the partners and the amendment of the articles of partnership.

The following are the items that are entered in the proprietors' drawing accounts:

DEBITS

1. Cash or any other property belonging to the firm, withdrawn by a partner for private use.
2. Private debts of a partner paid by the firm.
3. Proper share of any net losses to be borne by a partner when the books are closed.

CREDITS

1. Cash advanced to the business by a partner and not counted as a part of the capital of the firm.
2. Unpaid salary due a partner.
3. Firm debts assumed by a partner.
4. Proper share of any net profits of the business.

Friday, Sept. 21

In response to your advertisement of *Sept. 19* for a competent shipping clerk, twenty-three letters were received; one from Albert B. Curtis, 270 Tremont St., impressed you favorably, Form 13, and you

have had an interview with the young man, which has resulted in his engagement with your firm at $25 per week. His appointment dates from Monday, Sept. 24.

File the letter, as it may be needed for reference.

Engage Edward McDorman as driver at $10 per week.

Make a memorandum and place it on file.

Write letters, ordering the following goods:

1. Of Stickney, Poor & Co., New York:

250 bx. Insect Powder	50 bx., 2500 lb., E. Apples
50 bx. Butter Color	100 bx., 2500 lb., E. Apricots
100 bx. Mucilage	100 bbl. R.P. Flour

Inclose a New York draft in payment of the bill, less 3%. Buy the draft by check, Form 14; exchange, 25¢.

2. Of Gray, Dunkle & Co., Chicago, the goods which are outlined in Form 35.

Remember that this firm was one of the creditors of the late house of A. J. Weaver & Co., and word the letter accordingly.

3. Of Bates, Aldrich & Co., Boston, the goods which are outlined in Form 37.

The members of this firm were creditors of A. J. Weaver & Co.

If you pay the balance in favor of D. W. Simpson & Co. this week, you will get a discount of 5%.

Write your check for the amount shown in the purchase ledger, less the 5% discount. Take the check to your bank or instructor and have it certified.

Certified Checks. Checks pass as money very freely from one person to another. They cannot always be accepted as money, however, for there is nothing to prevent any person from drawing a check upon a bank in which he has no money on deposit. Before a business man accepts a check from a stranger he may require that it be certified; that is, that it be stamped by the bank upon which it is drawn, in a manner that will indicate its validity.

When a check is certified, the bank immediately charges the amount to the drawer and sets aside the funds from which to pay the check when it is presented.

A certified check is secured by the bank on which it is drawn, and it is good as long as the bank is solvent.

By certifying a check a bank declares in effect the following:

1. That the signature is genuine.
2. That the drawer's balance is good for the amount named.
3. That it holds itself responsible for the payment of the check.

Certification does not guarantee the following:

1. That the indorsements, if any, are genuine.
2. That the check was drawn in good form. If a check is so carelessly drawn that it can be raised easily, and is certified afterwards, a bank can be held for only the amount for which the check was first drawn.

Write a letter to D. W. Simpson & Co., inclosing the above check and ordering:

50 bx. Sunlight Soap
125 bx. Wool Soap
50 bx. Water Lily Soap
5 cases, 100 sacks, P.P. Flour
50 cases, 1000 sacks, C.P. Flour
20 bbl., 1200 lb., O. Crackers
20 bbl., 1200 lb., C.S. Crackers

Saturday, Sept. 22

Pay by check David R. Warriner's sight draft on Arthur M. Black, $50, Form 15.

Charge Black's *Drawing* account.

Monday, Sept. 24

A telegraphic dispatch has been received from W. D. Greene, Dansville, ordering the following to be sent by express, C.O.D.:

2 cases R. Baking Powder
3 bx., 150 lb., E. Apples

Prepare the necessary papers and enter under *C. O. D. Accounts* in the sales book.

The following orders were received in this morning's mail:

1. From Williams, Harmon & Co., Troy:

10 bbl. L.L. Salt
10 half chests, 750 lb., C.J. Tea
10 bbl. S.P. Flour
5 bbl., 800 lb., L. Starch
5 bbl., 1500 lb., Br.C Sugar

Fill the order. Terms: 2/5, net 30 da.

Owing to the student's familiarity with the handling and recording of sales, only occasional instructions will be given in this set.

2. From T. B. Welch & Co., Medford:

6 bbl., 300 gal., N.O. Molasses
6 bbl., 300 gal., P.R. Molasses
5 bbl., 1625 lb., F.G. Sugar
10 bags Ice-cream Salt

Fill the order. Terms: 2/5, net 30 da.

The account of Fred W. Hill & Co., Rome, is 23 da. past due. Draw a sight draft on them in favor of your firm for $1200 and leave it with the bank for collection.

Indorse the draft. No entry is required. Write a letter to Fred W. Hill & Co., telling them of the draft you have drawn.

Take the note of F. Moore from the *Unpaid Bills* envelope and offer it for discount at your bank, Form 5.

Indorse the note; make out a discount memorandum and pin it to the note. Place the note in the pass book, take it to the bank, and receive credit for the proceeds.

Pay the balance due Bates, Aldrich & Co., less 5%, by a New York draft, Form 16.

Buy the draft by check. Exchange, 50¢.

Indorse the draft and inclose it in a letter.

Letters of Remittance. In writing a letter of remittance observe the following:

1. State what is inclosed, — note, draft, etc.
2. Give the amount of the inclosure.
3. Generally write the amount of the inclosure in words and figures, thus: Twenty-four and $\frac{25}{100}$ Dollars ($24.25).
4. State how the amount inclosed is to be applied.
5. Fold the inclosure within the letter properly. (See Form I, Appendix D.)

Receive of F. W. Earl & Co., Weedsport, a New York draft for $950, in full for invoice of Aug. 24, Form 17.

Receive of D. L. Hinman & Co. their check, in full of account, less 2%, Form 18.

The Enterprise Carting Co. has delivered to you the goods ordered of Walter Baker & Co. on *Sept. 19*, Form 19.

A telegraphic order has been received from W. L. Anderson, Perth Amboy, for:

10 bbl. R.P. Flour	1500 lb. P. Tapioca
25 cases C. Baking Powder	10 bbl., 1600 lb., G.G. Starch

Fill the order. Terms: 2/5, net 30 da.

Deposit the check and the New York draft on hand.

Draw a cash check for office expenses, $25.

Make no entry in the cashbook. Ask for $5 in change.

NOTE. A *daily statement* shows the cash balance, a list of the journal entries, the sales, and the purchases.

The file of these daily statements is often valuable for reference if it is necessary to check the student's work.

Prove the cash and make out a daily statement. Take all books to the instructor for criticism. Proceed to post as follows:

1. Post the items in the *Accounts Receivable* column of the cashbook to the credit of the proper accounts in the sales ledger.

2. Post the items in the *General* column on the debit side of the cashbook to the credit of the various accounts in the general ledger.

3. Post the items in the *Accounts Payable* column of the cashbook to the debit of the various accounts in the purchase ledger.

4. Post the items in the *General* column on the credit side of the cashbook to the debit of the various accounts in the general ledger.

5. Post the sales from the sales book to the debit of the different accounts in the sales ledger.

6. Post the purchases from the purchase book to the credit of the different accounts in the purchase ledger.

7. Hand all books to the instructor for approval before proceeding with the next day's business.

Tuesday, Sept. 25

The following orders were received in this morning's mail:

1. From L. P. Ross, Warsaw:

12 bbl., 3900 lb., St. A Sugar
25 half chests, 1750 lb., M. Y. H. Tea
15 bbl., 4875 lb., F. G. Sugar
10 pkg. S. Yeast Cakes

You are not familiar with the financial standing of this firm, and so ship the goods to the order of The Union Bank, less 2%.

The purchaser consents to this form of shipment.
Enter the amount in the sales book under *C. O. D. Accounts.*
Proceed as usual with this form of sale.
Make the collection through The Union Bank.

2. From Clinton, Jones & Co., Allston:

10 bbl., 3300 lb., Wh. C Sugar
5 bbl., 800 lb., L. Starch
10 pkg. S. Yeast Cakes
15 pails No. 1 Mackerel
25 pkg. G. Matches
5 bbl. C. R. Oatmeal
15 cases Horse-radish

A New York draft is inclosed in settlement, less 2%, Form 20.

Write the invoice, but do not deduct the discount.

3. From James K. Lusk, City:

25 cases D. Salad Dressing — 50 cans B. Cocoa
6 cases, 120 sacks, C.P. Flour — 250 lb. E. Chocolate Drops
15 bbl., 750 gal., N.O. Molasses

Fill the order. Terms: 2/5, net 30 da.

4. From F. E. Rogers, City:

15 bx., 300 lb., L.L. Raisins — 10 bx. P. Matches
5 bbl., 250 gal., P.R. Molasses — 10 bu. N.Y. Medium Beans

Terms: sight draft in 5 da. for the amount of the bill, less 2%.

The old account of Williams, Harmon & Co., Troy, is several days past due. Draw a sight draft on them for $3126.30, and leave it with The Union Bank for collection.

Write a letter to Williams, Harmon & Co., telling them of the sight draft you have drawn.

The goods ordered of Smith, Perkins & Co. on *Sept. 19* have been received, Form 21.

Place the following orders over the telephone:

1. With Geo. H. Buell & Co., City:

240 bu. N.Y. Medium Beans — 25 bx., 1250 lb., E. Apples
200 lb. E. Raspberries

2. With J. E. Seel & Co., City:

50 bbl. L.L. Salt — 25 pails M.C. Candy
500 lb. S.M. Candy

The note of A. J. Weaver & Co., payable at The Union Bank, the payment of which was assumed by your firm, is due to-day.

Issue a check in payment.

Receive of Frank Moore & Son, City, their note at 10 da. for $745.69, to apply on account, Form 22.

Receive a check of Salisbury, Gray & Co. in full for the invoice of Sept. 2, $260.51, Form 23.

Receive a check of J. D. Manning in full for the invoice of Aug. 25, $600, Form 24.

Pay by check the bill of R. O. Merrill & Co. for packing boxes, $9.50, Form 25.

Debit *Packing Expense.*

Pay James Burrill cash, for auto repairs, $2.50.

Debit *Delivery Expense.*

Deposit the checks and the New York draft on hand. The bank charges $\frac{1}{10}\%$ collection on the checks.

Make out a daily statement. If it is correct, post the different books as instructed on *Sept. 24*. Post the journal entry.

After the posting is finished, hand all books to the instructor for examination and approval.

Wednesday, Sept. 26

Goods ordered yesterday, over the telephone, of Geo. H. Buell & Co. have been delivered, Form 26.

Goods ordered of J. E. Seel & Co. have also been delivered, Form 27.

Receive of T. B. Welch & Co. their check in full for the invoice of *Sept. 24*, less 2%, Form 28. In the letter inclosing the check they order the following:

25 bx. Wool Soap	5 bbl., 1650 lb., Wh. C Sugar
25 bx. Water Lily Soap	5 bbl., 1625 lb., F.G. Sugar
5 bbl., 1500 lb., Br. C Sugar	10 half chests, 600 lb., F.O. Tea

Fill the order. Terms: 2/5, net 30 da.

Telegraph Walter L. Mann & Co., Boston, ordering the following to be shipped by fast freight:

50 bx. Mucilage	50 cases C. Baking Powder

Limit the message to eleven words. Pay 50¢ charges in cash. Debit *Sundry General Expense.*

Leave the note of Walter L. Parker with The Union Bank for collection, Form 6.

The note is in the *Unpaid Bills* envelope.

Make the proper memorandum in the notebook.

Pay Walter Baker & Co.'s invoice of Sept. 22, less 3%, by a New York draft, which you buy by check at The Union Bank, Form 29. Exchange, 75¢.

Write a letter and inclose the draft.

Receive returns for the C.O.D. shipment to W. D. Greene, Dansville, on *Sept. 24*, Form 30.

Receive of Williams, Harmon & Co. a New York draft for invoice of *Sept. 24*, less 2%, Form 31.

W. D. Packard & Co., City, order:

10 pails No. 1 Mackerel	20 1-lb. cans H. Cocoa
3 cases C. Baking Powder	10 bags, 1250 lb., P.R. Coffee
10 mats, 750 lb., F.J. Coffee	

Bill the foregoing order. Terms: 3/5, net 60 da.

This is a reliable firm, and you expect large orders from them frequently; hence the above terms.

The firm pays Geo. N. Cooper $125, by check, for 1 carriage horse, to be charged to *Student's Drawing* account.

Receive of Salisbury, Gray & Co. a sight draft on J. E. Seel & Co., City, for $50, Form 32. Remit the draft by letter to J. E. Seel & Co., and make an entry in the journal.

J. D. Manning, Albany, orders:

10 bags, 1250 lb., P.R. Coffee
10 bales, 1500 lb., G.M. Coffee
20 mats, 1500 lb., F.J. Coffee

Fill the order. Terms: 2/5, net 30 da.

Deposit the money received from the C.O.D. shipment, and the check and the New York draft on hand. The bank charges 35¢ collection on the check.

Be sure to deduct the collection on the deposit ticket.

Make out a daily statement and have it corrected. Post as previously explained.

Hand all books to the instructor for approval.

Thursday, Sept. 27

The Enterprise Carting Co. has delivered to you the goods ordered of Stickney, Poor & Co. on *Sept. 21*, Form 33.

Remit to Gray, Dunkle & Co., Chicago, your note at 15 da., to apply on account, $1000.

Write a letter and inclose the note.

Receive of W. L. Anderson his check for $400, to apply on account, Form 34.

The following orders were received by mail to-day:

1. From Fred W. Hill & Co., Rome:

75 1-lb. cans H. Cocoa
50 lb. E. Raspberries
3 bx., 120 lb., C. Codfish
10 bx., 240 lb., H.L. Chocolate

Fill the order. Terms: 2/5, net 30 da.

2. From D. L. Hinman & Co., City:

10 half chests, 750 lb., C.J. Tea
3 bags Ice-cream Salt
5 half chests, 300 lb., F.O. Tea
3 bbl., 480 lb., H.W. Starch
10 half chests, 700 lb., M.Y.H. Tea

Fill the order. Terms: 2/5, net 30 da.

Discount at The Union Bank Frank Moore & Son's note received on *Sept. 25*. The proceeds are placed to your credit.

Make out a discount memorandum and pin it to the note. Place it in the pass book and hand it to the bank.

Your bank informs you that the sight draft drawn on Fred W. Hill & Co., Rome, on *Sept. 24* has been collected. Collection, $\frac{1}{10}\%$.

Have the amount entered in the pass book, and make the proper records in the other books.

Give A. W. Weet a check for $65, to be charged to the *Drawing* account of Geo. H. Dobbin.

Goods ordered of Gray, Dunkle & Co. on *Sept. 21* have been delivered, Form 35.

Deposit the check on hand. No collection is charged.

Make out a daily statement and have it examined, after which post the different books in the regular way.

Hand all books to the instructor for approval.

Friday, Sept. 28

Receive of James K. Lusk, City, a letter inclosing a check, in payment of the invoice of *Sept. 25*, less 2%, Form 36. He also orders the following items:

10 bx. Sunlight Soap
50 lb. Pearl Tapioca
3 bbl., 480 lb., G. G. Starch

Fill the order. Terms: 2/5, net 30 da.

Salisbury, Gray & Co., Rochester, order:

15 bbl. R.P. Flour
10 bbl. L.L. Salt
10 bbl., 3250 lb., St. A Sugar
25 bx. P. Matches
5 pails No. 1 Mackerel
5 bx., 250 lb., C. Raisins
4 bbl., 200 gal., N.O. Molasses
20 bx. Wool Soap
5 bbl., 1500 lb., Br. C Sugar
10 bx. Butter Color
15 doz. pint cans Olives
5 bbl. C.R. Oatmeal

Fill the order. Terms: 3/5, net 30 da.

The Enterprise Carting Co. has delivered to you the goods ordered of Bates, Aldrich & Co. on *Sept. 21*, Form 37.

Give Geo. H. Buell & Co. your note at 30 da., without interest, for the net amount of the invoice of *Sept. 26*.

A telegraphic order has been received from W. M. Beach, Pittsfield, for:

3 half chests, 225 lb., C.J. Tea
50 lb. Flake Tapioca

He requests that the goods be shipped by express, C.O.D. Fill the order. Terms: cash, less 1%.

Goods ordered of D. W. Simpson & Co., Chicago, on *Sept. 21* have been delivered, Form 38.

Remit to Bates, Aldrich & Co. a New York draft, in full for the goods received to-day, less 3%, Form 39. Buy the New York draft by check. Exchange, 75¢.

Indorse the draft and inclose it in a letter.

Deposit the check on hand.

Your bank informs you that the draft drawn on Williams, Harmon & Co. on *Sept. 25* has been collected. Collection, $\frac{1}{10}$%.

Have the amount entered in the pass book, and make the proper entries in the other books.

Pay Edward McDorman by check, $10.

Debit *Delivery Expense.*

Make out a daily statement. Post.

Hand all books to the instructor for approval.

Saturday, Sept. 29

Draw from the bank by a cash check, for office expenses, $50.

Ask for ten five-dollar bills.

The following orders have been received by mail to-day:

1. From W. D. Packard & Co., City:

10 half chests, 750 lb., C.J. Tea — 10 half chests, 600 lb., F.O. Tea
5 bbl., 800 lb., L. Starch

They inclose check in payment of the invoice of *Sept. 26*, less 3%, Form 40. Fill the order. Terms: 2/10, net 60 da.

2. From D. L. Hinman & Co., City:

20 bags Ice-cream Salt — 50 bbl L.L. Salt
10 bbl., 3250 lb., St.A Sugar — 10 bbl., 3250 lb., F.G. Sugar
10 bbl., 600 lb., O. Crackers — 10 bbl., 600 lb., C.S. Crackers

They inclose their note at 10 da. for $500, to apply on account, Form 41. Fill the order. Terms: 2/5, net 30 da.

3. From Frank Moore & Son, City:

6 bx., 300 lb., E. Apples — 5 bx., 125 lb., E. Apricots
15 bbl., 4875 lb., St.A Sugar — 10 pails M.C. Candy
500 lb. S.M. Candy

Fill the order. Terms: 2/5, net 30 da.

Pay John Harvey cash, for cleaning the store, $5. Also pay salaries for the week in cash, $35.

Draw a sight draft on F. E. Rogers for the net amount of the invoice of *Sept. 25*, and leave it at the bank for collection.

Your bank informs you that the sight draft drawn on *Sept. 25*, for the amount of the invoice of that date, and left at the bank for collection has been paid. Collection, $\frac{1}{10}\%$.

Pay by check Enterprise Carting Co.'s bill for freight and drayage to date, $77.75, Form 42.

Debit *Merchandise Purchases*, $62.50; *Freight and Cartage Out*, $15.25.

The first of these terms applies to the freight and cartage which the business has paid on the merchandise bought; the second, to the freight and cartage paid on the merchandise sold.

Pay William Jennings $15, by check, for storage, oil, and gasoline.

To what account is this charged?

Make a journal entry, crediting the proprietors' drawing accounts with one-half month's salary for September.

Debit *Salaries*, and credit each proprietor for one half the monthly salary agreed upon in the articles of copartnership. The amount of these individual salaries is to be found on page 270.

Make out a daily statement and hand it in.

Post as instructed for previous days.

Hand all books to the instructor for approval.

Closing the Work for September. Proceed to close the work as follows:

1. Study the explanation of the model cashbook as outlined on pages 258 and 259. Close the cashbook; follow all details of the model closely.

2. Post the footings of the cashbook to the general ledger. Do not post the footings of the *General* column.

The figure in the circle, below the column footings, indicates the folio of the ledger.

3. Study the explanation and illustration of the sales book, page 260. Make the proper entry to close it. Post the closing entry to the general ledger.

4. Refer to the purchase book, and close it as directed on page 261. Post the entry to the general ledger.

5. Study the explanation and the illustration of the journal as outlined on page 262. Make the proper entry to close it. Post the entry to the general ledger.

6. Prove the sales ledger by an abstract similar in outline to the following:

12	Wm. B. Tenny & Co.	920			
14	D. M. McCarthy	1291	50		
15	J. A. Merrill & Son	9120			
16	R. W. White & Son	492			
20	Baker, Hillis & Co.	162	50		
21	J. E. Bender	1250			
22	Wm. A. Conway	1120			
24	Morgan, Wright & Co.	962	50		
25	Kendall Mfg. Co.	162	90		
26	F. E. Moore	865			
29	C. W. Gray	120			
31	G. H. Dunkle	66	25		
24	*Balance* per Accts. Rec. in Gen. Ledger			*16532*	*65*
		16532	65	16532	65

ABSTRACT OF SALES LEDGER, SEPTEMBER 30, 19—

7. Prove the purchase ledger by an abstract similar in outline to the following:

18	Jordan, Marsh & Co.			6142	50
19	Morgan, Traver & Co.			3150	
21	Gray, Salisbury & Co.			1250	
24	Williams & Rogers			925	
26	C. H. Lyman & Son			2100	
27	M. A. Weaver & Co.			1650	
29	J. E. King, Son & Co.			1122	16
30	M. F. Raymond			4698	20
31	E. R. Barnard & Co.			162	90
46	*Balance* per Accts. Pay. in Gen. Ledger	*21200*	*76*		
		21200	76	21200	76

ABSTRACT OF PURCHASE LEDGER, SEPTEMBER 30, 19—

8. Have the abstracts approved by the instructor. If they are correct, make a trial balance from the general ledger.

9. Have the trial balance approved.

10. After approval by the instructor, record both the trial balance and the abstracts in Blank No. 1, on the page indicated by the index.

11. Prove the notebook.

12. Hand all books to the instructor for examination.

Remember the monthly statement of your bank account.

Exercise 62. Review

For Written Work

1. Make the statements from the following trial balance:

Cash	$2485.30	
Notes Receivable	855.20	
Accounts Receivable	938.65	
Mdse. Inventory	8090.55	
Real Estate	3000.	
Building and Fixtures	6072.95	
Office Furniture	177.60	
Delivery Equipment	382.	
Notes Payable		$1100.
Accounts Payable		2218.40
A. L. Persons, Investment		9525.
A. L. Persons, Drawing	95.	
Harry K. Leslie, Investment		9525.
Harry K. Leslie, Drawing	60.	
Mdse. Sales		5672.40
Interest Earned		33.20
Mdse. Discount on Purchases		102.
Mdse. Purchases	5303.20	
Salaries	358.10	
Taxes	280.	
Mdse. Discount on Sales	50.	
Interest Paid	27.45	
	$28176.	$28176.

Inventories:

Merchandise	$9150.
Building and Fixtures:	
Depreciation	60.73
Delivery Equipment:	
Depreciation	3.82
Office Furniture:	
Depreciation	1.78

2. Classify the accounts in the above trial balance as assets, liabilities, proprietary interest, income, and expense.

3. Journalize the following assets and liabilities, and credit the Proprietor for his net investment. Journalize the transactions, post all to the ledger, and take a trial balance.

If the work is correct, all the personal accounts will balance.

April 1. Harold F. Carson began business with the following assets and liabilities:

Assets	
Mdse. Inventory	$6925.
Notes Receivable	460.
Cash	1940.
W. F. Gordon on account	465.20
A. W. Dunham on account	1444.50
D. E. Sumner on account	750.
Ware & Co. on account	341.75

Liabilities	
R. W. Owens on account	$1260.
J. A. Hazard on account	1020.
Howe & Co. on account	165.20
Mercer & Co. on account	250.
Fred H. Kerns on account	104.25
H. J. King on account	250.
Notes Payable	420.

4. He drew a sight draft on A. W. Dunham for $1020, in favor of J. A. Hazard.

8. He drew a sight draft on W. F. Gordon for $250, in favor of H. J. King.

10. He drew a 10-day draft on W. F. Gordon for $165.20, in favor of Howe & Co.

12. He drew a sight draft on D. E. Sumner for $250, in favor of Mercer & Co.

15. He drew a sight draft on A. W. Dunham for $424.50, in favor of E. R. Maxon, in payment of his note and the interest. Face of the note, $420; interest, $4.50.

19. R. H. Weller remitted a sight draft on R. W. Owens for $472.50, in payment of his note and the interest. Face of the note, $460; interest, $12.50.

22. He drew a sight draft on D. E. Sumner for $500, in favor of R. W. Owens.

24. He drew a sight draft on Ware & Co. for $104.25, in favor of Fred H. Kerns.

27. He drew a sight draft on W. F. Gordon for $50, in favor of R. W. Owens.

30. He drew a 30-day draft on Ware & Co. for $237.50, in favor of R. W. Owens.

Hand all work to the instructor for approval.

Exercise 63. Review

For Oral and Written Work

1. Make the statements from the following trial balance:

Cash	$11538.20	
Notes Receivable	1580.	
Accounts Receivable	8475.35	
Mdse. Inventory	13756.50	
Office Furniture	362.50	
Delivery Equipment	475.	
Notes Payable		$1125.
Accounts Payable		7525.45
Geo. A. Hampden, Investment		8500.
Geo. A. Hampden, Drawing	280.	
Wm. H. Campbell, Investment		8500.
Wm. H. Campbell, Drawing	255.	
Andrew S. Baker, Investment		8500.
Andrew S. Baker, Drawing	210.	
Mdse. Sales		17522.20
Interest Earned		120.
Mdse. Discount on Purchases		390.20
Mdse. Purchases	13640.	
Office Salaries	380.	
Office Supplies	34.75	
Fuel	132.30	
Rent Paid	150.	
Advertising	65.35	
Salaries	350.	
Packing Expense	59.85	
Delivery Expense	55.	
Sundry General Expense	17.15	
Collection and Exchange	7.40	
Mdse. Discount on Sales	312.70	
Interest Paid	45.80	
	$52182.85	$52182.85

Inventories:

Merchandise	$13152.25
Fuel:	
Unused	62.40
Office Supplies:	
Unused	17.50
Delivery Equipment:	
Depreciation	9.50
Office Furniture:	
Depreciation	3.63

2. Use the trial balance on page 287. On a double sheet of ledger paper open an account with each proprietor, — *Drawing* account and each profit and loss account. By journal entries close the ledger.

3. Use the trial balance on page 289. On a double sheet of ledger paper open an account with each proprietor, — *Drawing* account and each profit and loss account. By journal entries close the ledger.

Discuss the following:

4. Distinguish between the Proprietor's *Investment* account and his *Drawing* account.

5. What is a controlling account, and what are some of the advantages of its use?

6. Discuss the advantages of using a sales ledger.

7. Discuss the advantages of using a purchase ledger.

8. What items are posted to a sales ledger? to a purchase ledger?

9. How do you take an abstract of the sales ledger, and by what account is it proved?

10. How do you take an abstract of the purchase ledger, and by what account is it proved?

11. Give a brief statement as to how the merchandise discount on sales is handled. Does it represent a profit or a loss? Why?

12. Give a brief statement as to how the merchandise discount on purchases is handled. Does it represent a profit or a loss? Why?

13. What particular entries are made in each of the different columns in the journal of this set? How are items posted? How is the book closed? How are the footings disposed of?

14. From what source do we get *Interest Paid*? *Interest Earned*?

15. Turn to your trial balance for September and name quickly the accounts that represent assets; liabilities; profits; losses.

16. Distinguish between the wording of a note that draws interest and one that does not draw interest.

17. Sometimes notes are discounted at the bank; for what time is the discount allowed?

18. How is a discounted note entered in your cashbook? in your check book?

19. Classify the accounts in the trial balance given in problem 1 of this exercise according to assets, liabilities, proprietary interest, income, and expense.

CHAPTER XXII

SET VI. WHOLESALE GROCERY BUSINESS (CONTINUED)

WORK FOR OCTOBER

The work for October is a continuation of the work of September.

Incoming Business Forms for October. Before beginning the business practice for October, read the explanatory note preceding the Incoming Business Forms for September, page 265.

Form 43. Note of Frank Moore & Son, dated City, Oct. 1, drawn in favor of your firm, without interest, payable in 60 da. at The Union Bank, $500.

Form 44. Invoice of Walter L. Mann & Co., dated Boston, Sept. 29. Terms: 10-day draft, less 1%. Items as follows:

50 bx. Mucilage — 50 cases C. Baking Powder

Do not deduct the 1% discount.

Form 45. Draft of Walter L. Mann & Co., dated Boston, Sept. 29, drawn on your firm, in their own favor, at 10 days sight, for the net amount of the above invoice.

Form 46. Draft at 10 days sight, drawn by Smith, Perkins & Co., dated New York, Sept. 29, on your firm, in favor of themselves, for $750.

Form 47. Check of Salisbury, Gray & Co., dated Rochester, Oct. 1, drawn on Traders National Bank, in favor of your firm, for $602.37.

Form 48. Check of D. L. Hinman & Co., dated City, Oct. 2, drawn on Traders National Bank, in favor of your firm, for $632.05.

Form 49. Invoice of Geo. H. Buell & Co., dated City, Oct. 3. Terms: a 30-day note in 10 da., without interest. Items as follows:

100 bu. N.Y. Medium Beans — 150 bx. E. Apples
500 lb. E. Raspberries

Form 50. Sight draft of D. W. Smith & Co., dated New York, Oct. 2, drawn on your firm, in favor of themselves, for $900, and indorsed by them to the First National Bank, New York. Transferred by the First National Bank to The Union Bank of your place, W. O. King, Cashier.

Form 51. Draft of The Union Bank, City, on Chemical National Bank, dated New York, Oct. 3, drawn in favor of your firm, for $500, W. B. Frey, Cashier.

Form 52. Check of Frank Moore & Son, dated City, Oct. 2, drawn on Traders National Bank, in favor of your firm, for $348.14.

Form 53. Sight draft of T. B. Welch & Co., dated Medford, Oct. 2, on D. O. Mosher, City, drawn in favor of your firm, for $79.60.

Form 54. *C.O.D.* envelope. Data as follows: Cash inclosed, $80.32. Goods were shipped by your firm to W. M. Beach, Pittsfield, Sept. 28.

See note under Form 30, page 269.

Form 55. Draft of Traders National Bank, Albany, on Chemical National Bank, New York, dated Oct. 3, drawn in favor of J. D. Manning and transferred to your firm by full indorsement, for $919.24, D. O. Morehouse, Cashier.

Form 56. Invoice of Bates, Aldrich & Co., dated Boston, Oct. 3. Terms: 3/5, net 30 da. Items as follows:

200 1-lb. cans Huyler's Cocoa
100 bbl. S.P. Flour

Form 57. Draft of The Union Bank, dated City, Oct. 4, drawn on Chemical National Bank, New York, in favor of your firm, for $500, W. B. Frey, Cashier.

Form 58. Sight draft of D. W. Smith & Co., dated New York, Oct. 3, on your firm, in favor of C. W. Mobray, City, for $300.

Form 59. Invoice of Smith, Perkins & Co., dated New York, Oct. 3. Terms: 5/10, net 30 da. Items as follows:

100 bags P.R. Coffee
100 half chests F.O. Tea
50 half chests C.J. Tea

Form 60. Olney P. Davis & Co.'s draft, dated City, Oct. 5, at 1 day sight, on Arthur M. Black, in favor of themselves, for $75.96.

Form 61. Check of F. W. Earl & Co., dated Weedsport, Oct. 4, drawn on Traders National Bank, in favor of your firm, for $1605.48.

Form 62. Invoice of Walter Baker & Co., dated New York, Oct. 4. Terms: 3/5, net 30 da. Items as follows:

500 1-lb. cans Baker's Cocoa
100 bx. Baker's Chocolate

Form 63. Invoice of Gray, Dunkle & Co., dated Chicago, Oct. 4. Terms: 3/10, net 30 da. Items as follows:

50 bbl. Br.C Sugar
100 bbl. Wh.C Sugar
25 half chests M.Y.H. Tea

Form 64. Draft of Traders National Bank, Dansville, on Chemical National Bank, New York, dated Oct. 5, drawn in favor of W. D. Greene and transferred to your firm by full indorsement, for $262.15, W. E. Traver, Cashier.

Form 65. Check of W. D. Packard & Co., dated City, Oct. 6, drawn on Traders National Bank, in favor of your firm, for $586.53.

Form 66. Sight draft of Salisbury, Gray & Co., dated Rochester, Oct. 5, drawn on J. E. Seel & Co., in favor of your firm, for $76.42.

Opening the Work for October. The following transactions, a continuation of the work of September, are for the work of the student during the month of October:

MEMORANDA OF TRANSACTIONS FOR OCTOBER

Monday, Oct. 1

The following orders were received in this morning's mail:

1. From F. W. Earl & Co., Weedsport:

25 half chests F.O. Tea	10 bx. W.L. Soap
25 half chests C.J. Tea	10 bbl. F.G. Sugar

Fill the order. Terms: 2/5, net 30 da.

2. From J. D. Manning, Albany:

10 bbl. St.A Sugar	10 bu. N.Y. Medium Beans
5 bbl. F.G. Sugar	10 bx. H.O. Oatmeal
25 doz. bottles M. Pickles	25 bx. H.L. Chocolate
50 bx. L.L. Raisins	25 bx. E. Chocolate Drops
5 bales G.M. Coffee	5 pails No. 1 Mackerel
10 bx. E. Apples	10 bx. Butter Color

Fill the order. Terms: 2/5, net 30 da.

3. From R. D. Fowler & Co., City:

5 bbl. S.P. Flour	3 bx. Butter Color
5 bbl. R.P. Flour	3 bbl. C.R. Oatmeal
20 bx. C. Codfish	

Fill the order. Terms: 2/5, net 30 da.

The Union Bank informs you that the note of Walter L. Parker, left for collection on *Sept. 26*, has been credited to your account at its face value. This note came into the business as one of the assets bought of A. J. Weaver & Co.

Discount, at The Union Bank, Benton Bros. & Co.'s note, bought by your firm of A. J. Weaver & Co., and receive credit for the proceeds, Form 7.

Receive of Frank Moore & Son their note at 60 da., without interest, for $500, Form 43. This note is given by them to apply on their account.

The Enterprise Carting Co. has delivered to you the goods ordered of Walter L. Mann & Co. on *Sept. 26*. Look up the invoice, Form 44, and handle it in the regular way. Take the draft which they inclosed, Form 45, and accept it. Place the draft in an envelope, properly addressed, and hand it in.

The following has been received from Clinton, Jones & Co., Allston:

10 bx. Mucilage	10 half chests M.Y.H. Tea
10 cases C. Baking Powder	10 bales G.M. Coffee
10 bbl. St.A Sugar	10 bags P.R. Coffee

Fill the order. Terms: 2/5, net 30 da.

Write letters, ordering the following goods:

1. Of Walter Baker & Co., New York:

500 1-lb. cans Baker's Cocoa 100 bx. Baker's Chocolate

2. Of Smith, Perkins & Co., New York:

100 bags P.R. Coffee 100 half chests F.O. Tea
50 half chests C.J. Tea

You received their draft at 10 days sight on your firm, in favor of themselves, for $750, Form 46. Accept it and inclose it in the above letter.

3. Of Gray, Dunkle & Co., Chicago:

50 bbl. Br.C Sugar 100 bbl. Wh.C Sugar
25 half chests M.Y.H. Tea

Inclose your check in payment of the invoice of Sept. 26, less 3%, and the proceeds of your note, in their favor, due Oct. 12.

Deduct the discount from the face of the note, add the proceeds of the note to the net amount of the bill, and write a check to cover the total amount.

Write Bates, Aldrich & Co., Boston, ordering the following goods:

200 1-lb. cans Huyler's Cocoa 100 bbl. S.P. Flour

Telephone Geo. H. Buell & Co., City, the following order:

100 bu. N.Y. Medium Beans 150 bx. E. Apples
500 lb. E. Raspberries

An order has been received from Williams, Harmon & Co., Troy, for:

200 1-lb. cans Baker's Cocoa 25 bx. Baker's Chocolate
25 half chests F.O. Tea 25 half chests C.J. Tea
10 bbl. S.P. Flour

Fill the order. Terms: 2/10, net 60 da.

Give Smith, Perkins & Co. a check for the invoice of Sept. 10, less 3%. The amount of the invoice is $947.60.

The bank has collected the sight draft on F. E. Rogers, of *Sept. 29*.

Deposit all currency and the check on hand.

Make out a daily statement and hand it in. Post.

Hand all books to the instructor for approval.

Tuesday, Oct. 2

The following orders were received in this morning's mail. Fill each in the regular way. Terms: 2/5, net 30 da.

1. From W. L. Anderson, Perth Amboy:

25 half chests M.Y.H. Tea — 10 bbl. Br.C Sugar
10 bbl. Wh.C Sugar — 10 bales G.M. Coffee
10 bbl. S.P. Flour

2. From W. D. Greene, Dansville:

25 bx. E. Apples — 50 bu. N.Y. Medium Beans
250 lb. E. Raspberries

Draw by a cash check, for office expenses, $125.

Ask for $5 in change.

Pay cash, for repairing the auto truck, $9.

Debit *Delivery Expense.*

Pay D. W. Simpson & Co. by check for the invoice of Sept. 27, less 3%.

Write a letter and inclose the check.

Receive a check of Salisbury, Gray & Co., Rochester, in payment of the invoice of *Sept. 28*, less 3%, Form 47.

A telegraphic order has been received from W. C. Holbrook & Co., Resort, for:

10 bags P.R. Coffee — 10 bales G.M. Coffee
20 half chests C.J. Tea

Ship the above to the order of The Union Bank, less 2%. Do not deduct the discount on the bill nor in the sales book. Enter in the sales book as a C.O.D. item. The draft, which must be drawn for the net amount of the invoice, will be collected through The Union Bank.

Receive of D. L. Hinman & Co. their check, in payment of the invoice of *Sept. 27*, less 2%, Form 48.

Engage F. E. Ramsey, as general assistant, at a salary of $10.50 per week, beginning Oct. 1. Pay him cash, for services to date, $4.

Debit *Salaries.*

Pay by check S. E. Waldorph for cooperage, $46.50.

Debit *Packing Expense.*

Deposit the checks on hand. Collection, $\frac{1}{10}\%$ on the check of Salisbury, Gray & Co.

Make out a daily statement. Post.

Hand all books to the instructor for approval.

Wednesday, Oct. 3

Goods ordered of Geo. H. Buell & Co. on *Oct. 1* have been delivered, Form 49.

Pay a sight draft of D. W. Smith & Co., in favor of themselves, by check, $900, Form 50. The draft is presented to you by The Union Bank, and you make your check payable to that institution.

Remit to Walter L. Mann & Co., Boston, a New York draft, to apply on account, $500, Form 51. Buy the draft by check. Exchange, 25¢.

Indorse the draft.

A note in favor of Boyd, Evans & Co. is due to-day, payable at The Union Bank.

Issue a check in payment.

Receive of Frank Moore & Son, City, their check, in payment of the invoice of *Sept. 29*, less 2%, Form 52. The letter inclosing the above check contained the following order:

100 1-lb. cans Huyler's Cocoa	15 bbl. S.P. Flour
20 bx. E. Apples	250 lb. E. Raspberries
25 bu. N.Y. Medium Beans	10 bbl. Wh.C Sugar

Fill the order. Terms: 2/5, net 30 da.

Draw a sight draft on Fred W. Hill & Co., Rome, in favor of your firm, for $300.

Write a letter to Fred W. Hill & Co., informing them of the draft drawn on them at sight through your bank. Leave the draft at The Union Bank for collection.

Fill an order received from Williams, Harmon & Co., Troy, for:

15 bbl. L.L. Salt	15 bbl. S.P. Flour
25 half chests C.J. Tea	10 bbl. Br.C Sugar

Terms: 2/10, net 60 da.

T. B. Welch & Co., Medford, order:

20 bbl. N.O. Molasses	20 bbl. P.R. Molasses
10 bbl. F.G. Sugar	5 bbl. L. Starch

Fill the order. Terms: 2/10, net 60 da.

Inclosed in the above letter was a sight draft on D. O. Mosher, City, in your favor, for $79.60, to apply on account, Form 53. Leave the sight draft at The Union Bank for collection.

Receive returns from the C.O.D. shipment to W. M. Beach, Pittsfield, Form 54.

Deposit the check received from Frank Moore & Son, and the returns from the C.O.D. shipment to W. M. Beach.

The Union Bank has collected the sight draft on Fred W. Hill & Co. Collection, $\frac{1}{10}\%$.

Make out a daily statement. Post.

Hand all books to the instructor for approval.

Thursday, Oct. 4

The following orders were received in this morning's mail:

1. From John P. Kennedy & Co., City:

2 half chests C.J. Tea	10 pails No. 1 Mackerel
5 cases R. Baking Powder	5 bbl. C.R. Oatmeal
5 bx. H.L. Chocolate	10 bx. C. Raisins
5 bu. N.Y. Medium Beans	5 bbl. N.O. Molasses
20 bx. C. Codfish	10 bx. Wool Soap

The references are satisfactory and you fill the above order, quoting your regular terms: 2/5, net 30 da.

2. From W. W. Williams, City:

5 half chests F.O. Tea	2 bbl. H.W. Starch
10 bags Ice-cream Salt	25 pkg. N. Yeast Cakes
5 bx. W.L. Soap	

The references are satisfactory; fill the order. Terms: 2/5, net 30 da.

Receive from J. D. Manning, Albany, a New York draft, in settlement of the invoice of *Oct. 1*, less 2%, Form 55.

The Enterprise Carting Co. has delivered to you the goods ordered of Bates, Aldrich & Co. on *Oct. 1*, Form 56.

Buy of The Union Bank a New York draft, by check, and remit it to D. W. Smith & Co., New York, to apply on account, $500, Form 57. Exchange, 25¢.

Remit to Smith, Perkins & Co., New York, a check for the invoice of Sept. 24, less 5%.

Deposit the New York draft received from J. D. Manning.

Make out a daily statement. Post.

Hand all books to the instructor for approval.

Friday, Oct. 5

Pay D. W. Smith & Co.'s sight draft, on you, in favor of C. W. Mobray, by check, $300, Form 58.

The Enterprise Carting Co. has delivered to you the goods ordered of Smith, Perkins & Co. on *Oct. 1*, Form 59.

The following orders were received this morning, and are to be filled in the regular way. Terms: 2/5, net 30 da.

1. From Frank Moore & Son, City:

10 bbl. O. Crackers	10 bbl. C.S. Crackers
5 bx. C. Codfish	10 bbl. R.P. Flour
2 bbl. P.R. Molasses	

2. From F. E. Rogers, City:

10 bbl. O. Crackers	5 bbl. C.S. Crackers
2 bags P.R. Coffee	2 bales G.M. Coffee
10 bx. E. Chocolate Drops	

Accept, payable at The Union Bank, for the *Drawing* account of Arthur M. Black, Olney P. Davis & Co.'s draft in favor of themselves, at 1 day sight, for $75.96, Form 60.

This draft is the outcome of some matter connected with the private business of Arthur M. Black, and the sum is charged directly to his *Drawing* account. Enter in the journal and in the notebook.

A call has come over the telephone from L. H. Pierson, City, for:

3 bbl. O. Crackers	10 bags Ice-Cream Salt
5 bbl. C.S. Crackers	5 bx. Wool Soap
3 bbl. R.P. Flour	3 bbl. F.G. Sugar
5 bx. Butter Color	3 mats F.J. Coffee

He offers to accept your draft at 20 da. from date of the bill for the amount. Fill the order.

Draw a draft at 20 da. from date, in favor of your firm, indorse it, and leave it with the bank for acceptance and collection.

The Union Bank has collected the sight draft of T. B. Welch & Co.

Pay John Sampson cash, for carpenter work in making repairs in the store, $7.50.

Debit *Sundry General Expense.*

Pay Roby Estate Co. by check, for rent of the store for October, $300.

Pay Wm. Jennings by check, for repairs, oil, and gasoline, $29.

Debit *Delivery Expense.*

Receive a check from F. W. Earl & Co., Weedsport, in payment of the invoice of *Oct. 1*, less 2%, Form 61.

Deposit the check just received. Collection, $\frac{1}{10}\%$.

Make out a daily statement. Post.

Hand all books to the instructor for approval.

Saturday, Oct. 6

Your team has delivered the goods ordered of Walter Baker & Co. on *Oct. 1*, Form 62.

The Enterprise Carting Co. has delivered the goods ordered of Gray, Dunkle & Co., Chicago, on *Oct. 1*, Form 63.

Fred O. Wolven, City, telephones for the following goods:

1 bbl. O. Crackers
1 bbl. F.G. Sugar
1 half chest F.O. Tea

Because of some special dealing with Mr. Wolven, the goods are furnished to him at *cost* prices. Terms: on account.

Receive a New York draft from W. D. Greene, Dansville, in payment of the bill of *Oct. 2*, less 2%, Form 64.

Pay salaries in cash as follows:

Albert B. Curtis	$25.
F. E. Ramsey	10.50

Debit *Salaries*

Edward McDorman	10.

Debit *Delivery Expense*

Receive a check from W. D. Packard & Co., City, in payment of the invoice of *Sept. 29*, less 2%, Form 65.

The following orders, which were received in this morning's mail, are to be filled in the regular way. Terms: 2/5, net 30 da.

1. From D. L. Hinman & Co., City:

2 bags P.R. Coffee
2 bales G.M. Coffee
5 bbl. O. Crackers
5 bbl. C.S. Crackers
5 bbl. S. Pastry Flour
5 bx. C. Codfish
5 bbl. N.O. Molasses
5 bbl. P.R. Molasses

2. From James K. Lusk, City:

15 bbl. O. Crackers
3 bbl. St.A Sugar
1 bbl. H.W. Starch
5 bbl. C.S. Crackers
5 bu. N.Y. Medium Beans
5 pkg. S. Yeast Cakes
3 half chests M.Y.H. Tea

3. From Salisbury, Gray & Co., Rochester:

8 bbl. St.A Sugar
15 bbl. C. Soda Crackers
10 bbl. Br.C Sugar

Salisbury, Gray & Co. inclose a sight draft, in favor of your firm, on J. E. Seel & Co., City, for $76.42, to apply on account, Form 66.

Write a letter to J. E. Seel & Co., inclosing the above draft to apply on account.

Pay for postage, etc., in cash, $7.50.

The acceptance in favor of Olney P. Davis & Co. is due to-day, payable at The Union Bank.

Albert B. Curtis, your shipping clerk, has made application for a position with Perry, Mason & Co., Boston. The position with that firm promises to develop an excellent future for Mr. Curtis, and you have decided to aid him in securing the place. Write a letter of recommendation for Mr. Curtis, placing a high estimate on his integrity and general business ability.

A good letter is the result of careful, concise thinking, and such a letter is most likely to accomplish the end for which it is written.

Letters of Recommendation. In writing letters of recommendation observe the following suggestions:

1. Avoid exaggerated expressions. They injure the one who is recommended.

2. Be thoroughly acquainted with the personal qualities of which you speak.

3. Recommend only those who are worthy of some praise.

4. Be sincere; do not entirely pass over defects when you know that they exist.

5. Generally speaking, do not write a letter of recommendation addressed *To whom it may concern*, as such a letter cannot give a specific commendation.

6. Aim to be original in your expressions. Avoid the commonplace in your use of language.

7. A good letter of recommendation usually conforms with the following arrangement of thoughts:

Paragraph No. 1: Introduction
Paragraph No. 2: General estimate of character and ability
Paragraph No. 3: Brief summary and courteous closing

Give Geo. H. Dobbin a check, for his private use, $25.

Student withdraws by check, from the business for his private use, $50.

The Union Bank reports that L. H. Pierson has accepted your draft of Oct. 5.

Receive a check from R. D. Fowler & Co. for the invoice of *Oct. 1*, less 2%.

Deposit the checks, the New York draft, and all the currency on hand.

Adjusting Interest between Partners. When partners in a business invest different amounts, but profits and losses are shared equally, an interest adjustment may be made at the end of a given period when the books are to be closed. By this means the partner who invests the largest amount is compensated for his larger investment because he receives a larger interest return. Under these conditions one method of adjusting interest is as follows:

1. Find the average investment.

2. Determine the exact number of days for which interest is to be reckoned. In this instance the investments were made on Sept. 15, and the adjustment is to be made on Oct. 6.

3. For each partner compute the interest on the sum represented by the difference between his investment and the average investment of the partnership.

4. If the partner's investment is *less* than the average investment, then the interest will be entered as a debit; if the investment of a partner is *more* than the average investment, then the interest will be entered as a credit.

5. Make the necessary journal entry to adjust the interest between the partners.

Study the above method.

The following is an illustrative example:

In a partnership A invested \$7000; B, \$3000; C, \$2000.

Solution. The total investment of the partnership is \$12,000; the average investment is \$4000.

The investment was made Sept. 1, and the interest adjustment on Oct. 1. The interest period is 30 da.

A invested \$3000 more than the average; B, \$1000 less than the average; C, \$2000 less than the average.

The interest on \$3000 for 30 da. is \$15, a credit.

The interest on \$1000 for 30 da. is \$5, a debit.

The interest on \$2000 for 30 da. is \$10, a debit.

The following is the journal entry:

B, Drawing		5		
C, Drawing		10		
A, Drawing				15
To adjust the interest between the partners.				

On this basis of reasoning make the proper entry to adjust the interest on the proprietors' accounts in the business.

Have the entry approved before posting it to the ledger.

Closing the Set. Proceed to close the work for the month of October as follows:

1. Close the cashbook. Proceed carefully and study the model cashbook. Post the summary of the cashbook.

2. Rule and foot the sales book and make the proper entry. Post the entry.

3. Rule and foot the journal and make the proper entry. Post the entry.

4. Rule and foot the purchase book and make the proper entry. Post the entry.

5. Prove the sales ledger. (See model, page 286.)

6. Prove the purchase ledger. (See model, page 286.)

7. Have the abstracts of the sales ledger and the purchase ledger approved by the instructor.

8. Make a trial balance from the general ledger and have it approved by the instructor.

9. The following is a statement of the inventories, the items of depreciation, and the accruals.

Inventories, October 6, 19—

Merchandise, per schedule on file		$20057.59
Rent, unexpired		225.
Insurance, unexpired premium		195.
Fuel, 2 T. coal		9.
Office Supplies (stationery, etc.)		6.50
Due Enterprise Carting Co. for freight and cartage to date, to be divided as follows:		59.45
Mdse. Purchases	$50.25	
Freight and Cartage Out	9.20	
Light, unpaid gas bill		15.69
Salaries, unpaid		31.50
Telephone, unpaid bill		9.50
Delivery Equipment:		
Depreciation		6.50
Office Furniture and Furnishings:		
Depreciation		19.20

NOTE. The above list includes the liability items (the unpaid bills), which are to be used in making the statements. By thus using them these amounts are charged to the periods to which they properly belong.

The entries for the accruals are explained and illustrated on pages 304–306, and will be studied in connection with the making of the statements.

10. Make the profit and loss statement. The following form is suggested:

Student, Lake & Gross

PROFIT AND LOSS STATEMENT

For the period ending October 6

MERCHANDISE TRADING					
Mdse. Sales				21695	34
Mdse. Inventory, Sept. 19		13604	50		
Mdse. Purchases	17754.64				
Freight and Cartage unpaid	70.	17824	64		
		31429	14		
Mdse. Inventory, Oct. 6		9632	42		
Cost of merchandise sold				21796	72
Gross loss on sales				101	38
OPERATING EXPENSES					
Freight and Cartage out	18.25				
Add unpaid bill	35.	53	25		
Fuel		18			
Light, unpaid gas bill		17	40		
Rent Paid	210.				
Less unexpired rent	188.	22			
Insurance	265.				
Less unexpired premiums	240.	25			
Advertising		53	73		
Packing Expense		37			
Delivery Expense		51	50		
Salaries	250.				
Add unpaid salaries	65.	315			
Office Supplies	42.59				
Add unpaid bill	5.50	48	09		
Sundry General Expenses	17.				
Add unpaid telephone bill	7.50	24	50		
Depreciation:					
Office Furniture		22	60		
Delivery Equipment		10		698	07
Net operating loss				799	45
Add:					
Mdse. Discount on Purchases	423.85				
Interest Earned	13.10	436	95		
Deduct:					
Mdse. Discount on Sales	152.36				
Interest Paid	14.20				
Collection and Exchange	10.84	177	40	259	55
Net loss for the period				539	90

11. Make the balance sheet or financial statement. The following form of a financial statement is suggested:

Student, Lake & Gross

FINANCIAL STATEMENT

ASSETS					
Cash		1012	50		
Notes Receivable		3419	75		
Accounts Receivable		7467			
Mdse. Inventory		9632	42		
Office Furniture and Furnishings	1130.				
Less depreciation	22.60	1107	40		
Delivery Equipment	500.				
Less depreciation	10.	490			
Good Will		6000			
Rent, unexpired		188			
Insurance, unexpired		240			
Total Assets				29557	07
LIABILITIES					
Notes Payable		1465	47		
Accounts Payable		5800	70		
Accrued Expenses[1]					
Freight and Cartage on Mdse. Purchases	75.				
Freight and Cartage Out	30.				
Light	17.40				
Salaries	75.				
Office Supplies	5.50				
Sund. Gen. Expense (Telephone, unpaid bill)	7.50	210	40		
Total Liabilities				7476	57
PROPRIETARY INTEREST					
Student, Investment	9000.				
Student, Drawing	678.28	8321	72		
John S. Lake, Investment	8000.				
John S. Lake, Drawing	623.40	7376	60		
Wm. L. Gross, Investment	7000.				
Wm. L Gross, Drawing	617.82	6382	18		
Total Proprietary Interest				22080	50

Accruals. During a fiscal period there may have been income earned which has not been received; likewise, there may have been expenses incurred which have not been paid. However, the income earned but not received, and the expenses incurred but unpaid, should appear in

[1] The details of these items need not be given, unless desired.

the *Profit and Loss* account. To credit such income and to charge such expense in the succeeding period when payment is actually received or made would produce unfair and misleading results. If the profit and loss statement were compiled only on the basis of cash receipts and disbursements, some periods might show exceptional profits, and some periods losses, but neither would be correct. To credit income and debit expense irrespective of the time of receipt or payment is to insure that the *Profit and Loss* account will contain the proper amounts for any given period. It also tends to set forth a more uniform operating profit.

Accrued income appears in the balance sheet or financial statement as an asset, and accrued expense as a liability. The recognition of both these accruals is essential to the compilation of accurate statements.

While accruals may represent income not received or expenses unpaid, in the ordinary mercantile and manufacturing business, the former are far less frequent than the latter. Accrued interest on notes receivable is the most frequent instance of accrued income. On an interest-bearing note, at the end of a month, interest will have been earned; but it is not yet due nor has payment been received, yet the *Profit and Loss* account should record the amount earned as income for the period.

ILLUSTRATION. Assume that the interest accrued on notes receivable at the end of a month amounts to $10. This may be recorded under the *Interest Earned* account and brought forward as a debit balance, or, preferably, the following journal entry may be made:

Interest Accrued on Notes Receivable	10	
Interest Earned		10
Accrued interest at the end of the month.		

The *Interest Earned* account is closed into the *Profit and Loss* account for the month, while the *Interest Accrued on Notes Receivable* appears as an asset in the balance sheet or financial statement.

If the interest on the note amounting to $12 was paid during the month, the journal entry would be:

Cash	12	
Interest Accrued on Notes Receivable		10
Interest Earned		2
For interest received on Notes Receivable.		

After posting the above entry the *Interest Accrued on Notes Receivable* account will balance, and the *Interest Earned* account will record the actual interest earnings of the period.

The interest accruing on notes payable is recorded in an account called *Interest Accrued on Notes Payable*, and is a liability accrual.

To illustrate the use of accrual expense accounts, assume that at the end of a fiscal period the following charges remain unpaid:

Freight and Cartage on Mdse. Purchases	$15
Freight and Cartage Out	25
Electric light bill	20
Telephone bill	9

The journal entry to record these charges would be as follows:

Merchandise Purchases	15	
Freight and Cartage Out	25	
Sundry General Expense	29	
Accrued Expenses		69
To record accrued expenses in the proper accounts.		

When these items are paid, debit *Accrued Expenses* and credit *Cash.*

Salaries and wages are frequently paid on a weekly basis, while statements are compiled for the calendar month. If the statements are to record accurately the operating costs of the month, the salaries for the days from the last date of payment must be considered. Owing to the frequency of the occurrence of this condition with relation to salaries, an account is usually kept called *Accrued Salaries.*

Illustration. The unpaid salaries at the end of the month are $100. The journal entry to record this accrual is as follows:

Salaries	100	
Accrued Salaries		100
To record unpaid salaries in the proper accounts.		

If the salaries paid during the month amounted to $758, after posting the above entry $858 would be charged to *Profit and Loss* for the period.

Assuming that the salaries amounting to $195 were paid at the end of the week, the entry would be:

Accrued Salaries	100	
Salaries	95	
Cash		195
For the payment of the salaries for the week.		

Merchandise Trading Account. In this set a *Merchandise Trading* account is opened in the ledger to record the gross profit or loss on merchandise sold. The balance of the *Merchandise Trading* account is transferred to the *Profit and Loss* account. The method of closing the merchandise accounts when the *Merchandise Trading* account is used is illustrated from the following accounts:

MERCHANDISE INVENTORY

19—												
Sept.	1			8	1600							

MERCHANDISE PURCHASES

19—												
Sept.	30			9	2200							

MERCHANDISE SALES

						19—					
						Sept.	30		10	3000	

On Sept. 30 the *Merchandise Inventory* was $1400.

1. The first entry is to transfer the merchandise inventory of Sept. 1 to the *Merchandise Purchases* account. The following is the entry for this transfer:

Mdse. Purchases	1600	
Mdse. Inventory		1600
To transfer the inventory of Sept. 1 to the *Merchandise Purchases* account.		

After posting the above entry the accounts will then appear as follows:

MERCHANDISE INVENTORY

19—							19—					
Sept.	1			8	1600		Sept.	30		12	1600	

MERCHANDISE PURCHASES

19—												
Sept.	30			9	2200							
	30			12	1600							

2. The next entry is to record the inventory of Sept. 30 in the *Merchandise Purchases* account. The following is the entry:

Mdse. Inventory	1400	
Mdse. Purchases		1400
To record the merchandise inventory and to credit the *Merchandise Purchases* account for the merchandise remaining unsold on Sept. 30.		

After posting this entry the accounts will appear as follows:

MERCHANDISE INVENTORY

19—					19—				
Sept.	1		8	1600	Sept.	30		12	1600
Sept.	30		12	1400					

MERCHANDISE PURCHASES

19—					19—				
Sept.	30		9	2200	Sept.	30		12	1400
	30		12	1600					

3. The difference between the sides of the *Merchandise Purchases* account will now show the cost of the merchandise sold. Use this amount and make the following entry:

Mdse. Trading	2400	
Mdse. Purchases		2400
To transfer the balance of the *Merchandise Purchases* account, representing the cost of merchandise sold, to the *Merchandise Trading* account.		

After posting this entry the accounts will appear as follows:

MERCHANDISE PURCHASES

19—						19—					
Sept.	30		9	2200		Sept.	30		12	1400	
	30		12	1600			30		12	2400	
				3800						3800	

MERCHANDISE TRADING

19—											
Sept.	30		12	2400							

4. The *Merchandise Sales* account should be closed into the *Merchandise Trading* account. The entry is as follows:

Mdse. Sales		3000	
Mdse. Trading			3000
To close the *Merchandise Sales* account into the *Merchandise Trading* account.			

After posting this entry the accounts will appear as follows:

MERCHANDISE SALES

19—						19—					
Sept.	30		12	3000		Sept.	30		10	3000	

MERCHANDISE TRADING

19—						19—					
Sept.	30		12	2400		Sept.	30		12	3000	

5. The difference between the sides of the *Merchandise Trading* account will now show the gross profit on sales. Use this amount and make the following entry:

Mdse. Trading		600	
Profit and Loss			600
To transfer the balance of the *Merchandise Trading* account, representing the gross profits on sales, to the *Profit and Loss* account.			

After posting this entry the accounts will appear as follows:

MERCHANDISE TRADING

19—						19—					
Sept.	30		12	2400		Sept.	30		12	3000	
	30		12	600							
				3000						3000	

If the debit of the *Merchandise Trading* account is larger than the credit, a loss on merchandise sales has been incurred. The account is then closed by debiting *Profit and Loss* and crediting *Merchandise Trading*.

PROFIT AND LOSS

						19—					
						Sept.	30		12	600	

The remaining profit and loss accounts are closed as usual.

Make the proper journal entries for the accruals given on page 302.

Closing the Set (Continued). 12. Close the ledger.

13. Prove the notebook.

NOTE. The notebook may be used as a book of original entry as well as a book of memoranda. That plan, however, is not followed in this text.

When the notebook is used as a book of original entry, notes and acceptances are not entered in the journal. A folio column should be provided in the notebook when it is used as a book of original entry.

Notes receivable would be posted as follows:

Debit *Notes Receivable* for the *total* of the amount column, and credit each person or firm from whom a note or acceptance was received.

Notes payable would be posted as follows:

Debit each person or firm to whom a note or acceptance was given, and credit *Notes Payable* for the *total* amount of the column.

14. In the auxiliary ledgers rule all accounts that balance.

15. Hand all books to the instructor for examination and approval.

Exercise 64. Review

For Written Work

The following is the trial balance of an insolvent business in which the proprietors have equal investments:

Cash	$880.20	
Notes Receivable	1065.80	
Accounts Receivable	2404.	
Mdse. Inventory	2200.	
Office Furniture	850.	
Notes Payable		$1739
Accounts Payable		5400
John H. Reader, Investment		1000
H. J. Curry, Investment		1000
Mdse. Sales		1500
Mdse. Purchases	3150.	
Interest Paid	26.10	
Sundry General Expense	62.90	
	$10639.	$10639

Make the statements, using the following notations:

Merchandise	$1500.
Unpaid telephone bill	21.70
Freight and Cartage In, unpaid bill	67.25
Interest accrued on Notes Payable	5.60
Interest accrued on Notes Receivable	7.50
Office Furniture Depreciation	50.

SET I. CARPETS

Directions. Record the following transactions in the journal, the cashbook, the sales book, and the purchase book; post to *one* ledger; take a trial balance; make the two statements, using the forms given in Set VI; close the ledger; take a trial balance after closing the ledger.

The investments of the two partners are to be equal, and the profits or the losses are to be shared equally. The firm name is to be *Student* & Fox.

Use sheets of journal paper and ledger paper for recording and posting the transactions. Do not use special columns in the cashbook nor the journal.

NOTE. This set is to be finished without assistance from the instructor.

MEMORANDA OF TRANSACTIONS

May 1. *Student* and Henry I. Fox begin the Carpet business with the following assets and liabilities:

Cash on hand, $1000
Cash on deposit in The Union Bank, $750
A. K. Johnson's note, $240
Interest accrued on the above note, $10
The following owe them on account:
Reader & Co., $350
Ray S. Baker, $525
O. H. Barker, $225
A note in favor of John F. Carrier, $485.50
Interest accrued on the above note, $14.50

2. Buy of Howard S. Crane, on account, 2% 10 da.:

300 yd. Moquette at $1.25 250 yd. Brussels at $1.10
400 yd. Ingrain at 58¢

2. Sell Donald & Son for cash:

100 yd. Moquette at $1.50 50 yd. Ingrain at 80¢

Receive their check for the amount of the bill.

4. Give A. G. Curry a check for $35.50, for office books and supplies.

5. Draw a sight draft on Reader & Co., in your own favor, for $250, and leave it at the bank for collection.

6. Receive of Ray S. Baker his note at 10 da., with interest, for $200.

8. Sell Frank S. Brady on account:

100 yd. Brussels at $1.35 100 yd. Ingrain at 80¢

9. Buy of David S. Wells on account:

500 yd. Matting at 47¢

10. Pay Howard S. Crane by check, for the invoice of *May 2*, less 2%.

11. Sell Wm. H. Garland on account, 1% 10 da.:

150 yd. Matting at 60¢ 100 yd. Ingrain at 78¢

12. The bank has collected the draft left on *May 5*. Collection, $\frac{1}{10}$%.

12. Buy an office safe of the Howard Safe Co. for $90. Give them your sight draft on Ray S. Baker for the amount of the bill.

13. Receive of Reader & Co. their note at 30 da. for $100.

15. Give David S. Wells your sight draft on Ray S. Baker for the invoice of *May 9*.

15. Receive of Frank S. Brady a sight draft on Meeker & Co. for $100, and his check for $115, for the invoice of *May 8*.

May 16. Receive of Ray S. Baker a New York exchange for his note and the interest, due to-day.

17. Sell Ford & Co. on account, 1% 10 da.:

100 yd. Moquette at $1 50 100 yd. Matting at 60¢

18. Give each partner a check, for personal use, $50.

19. Receive of Wm. H. Garland his check for the invoice of *May 11*, less 1%.

20. Receive of A. K. Johnson cash for his note and the interest, due to-day. Face of the note, $240; interest, $10.75.

23. Draw a sight draft on O. H. Barker, in your own favor, for $225, and leave it at the bank for collection.

24. Buy of Howard S. Crane on account, 2% 10 da.:

100 yd. Moquette at $1.25 100 yd. Brussels at $1.10

25. Give John F. Carrier your check for your note and the interest, due to-day. Face of the note, $485.50; interest, $16.45.

25. Sell Frank S. Brady on account:

50 yd. Moquette at $1.50 50 yd. Brussels at $1.35
100 yd. Matting at 60¢

26. Sell Wm. H. Garland on account, 1% 10 da.:

50 yd. Moquette at $1.55 100 yd. Brussels at $1.35

26. Receive of Ford & Co. their sight draft on Henry F. Grady for the invoice of *May 17*, less 1%.

27. Sell Ford & Co. on account, 1% 10 da.:

100 yd. Matting at 60¢

29. Your bank reports the collection of the draft left on *May 23*. Collection, $\frac{1}{10}$%.

30. Buy of Henry W. Elson on account:

100 yd. Matting at 47¢

31. Give Harry S. Carmen a check for his monthly salary, $45.

Inventories, May 31, 19—

Merchandise:

100 yd. Moquette at $1.25 150 yd. Ingrain at 58¢
100 yd. Brussels at $1.10 150 yd. Matting at 47¢

Office Supplies:

Office Books and Stationery, $30

Office Furniture:

Office Safe at cost

Exercise 65. Review of Set VI

For Discussion

Discuss briefly:

1. The controlling accounts.
2. The method of proving the notebook.
3. The method of finding the profit on sales.
4. The various steps necessary to find the *net operating profit.*
5. The plan and the advantages of the cashbook used in this set.
6. From what source or sources is *income* derived?

From the trial balance on page 289, name quickly the following:

7. The assets accounts.
8. The liability accounts.
9. The proprietary-interest account.
10. The income accounts.
11. The expense accounts.

12. From the trial balance of Set VI, name the different accounts suggested in problems 7–11.

13. Discuss fully the treatment of merchandise discounts.

14. From what sources do we get the debits in the *Accounts Receivable* account? the credits?

15. From what sources do we get the credits in the *Accounts Payable* account? the debits?

16. Note the order in which accounts are recorded in the general ledger. What is the advantage of such an arrangement?

Exercise 66. Review

For Written Work

Directions. Rule sheets of paper like the model cashbook for Set VI, and record the following transactions. Close the cashbook.

Oct. 1. H. G. Franklin, investment, $4500.
1. D. F. Grinnell, investment, $4500.
2. Paid A. D. Lete, for rent of store, $100.
3. Received of A. Turner, for a note, $654.
3. Interest on the above, $12.
4. Received of John Lacy, on account, $152.
5. Paid D. E. Ranney, on account, $256.
6. Prepaid our note, in favor of Amos Day, less 45 da. discount. Face, $368.

Oct. 8. Discounted L. J. Baker's note; discount for 30 da. Face, $454.
9. Paid sundry expenses, $8.
10. Paid an invoice, in favor of E. E. Kent, less 3%. Face, $350.
11. Received cash of T. H. Osborne for an invoice, less 2%. Face, $290.
12. Paid an advertising bill, $11.
13. Received of John Sumner, on account, $125.
15. H. G. Franklin, Prop., withdrew $75.
15. D. F. Grinnell, Prop., withdrew $75.
16. Paid David Lakin, on account, $108.
17. Paid an invoice, in favor of D. A. Wise, less 2%. Face, $235.
18. Received cash of R. T. Curran for an invoice, less 1%. Face, $190.
19. Paid a note in favor of E. Burt, $200.
20. Received cash, for a note from A. S. Lamson, $175.
22. Paid John Race, a traveling salesman, on his salary, $65.
23. Paid insurance premium, $23.
24. Paid for an office desk, $40.
25. Paid for coal and wood for store, $38.
26. Received cash of Geo. Wren, on account, $85.
27. Paid collection on a draft, $1.
29. Paid for stamps and envelopes, $4.
30. Paid collection on a check, $1.
31. Paid office salaries, $140.

Exercise 67. Review

For Written Work

Directions. From the following data open the necessary ledger accounts. After posting, take a trial balance.

The cashbook of W. A. Berkeley shows the following receipts and disbursements:

Oct. 1. W. A. Berkeley, investment, $5000.
2. Paid W. S. Drake, for rent of the store, $80.
5. Bought merchandise of H. G. Brown, $2100.
6. Paid J. C. Rodgers, on account, $200.
9. Received of E. E. Gardner, on account, $325.
11. Paid a note in favor of C. A. Williams, $400.
11. Discount on the above note, $12.
17. Paid sundry expenses, $20.
20. Paid for advertising, $31.

Oct. 23. Sold J. L. Miller merchandise, $850.
25. W. A. Berkeley, Prop., withdrew $50.
27. Paid collection and exchange, $2.
29. Paid Derby & Co., for an office desk, $55.
31. Paid office salaries, $105.
31. Received of C. L. Larson, for his note, $300.

The following entries were in the purchase book:
Oct. 2. G. A. Bryan, $950.
5. H. G. Brown, $2100.
6. G. H. Phillips, $100.
6. J. C. Rodgers, $300.
8. C. A. Williams, $500.
16. R. O. Billings, $290.

The following entries were in the journal:
Oct. 9. Note given to C. A. Williams, on account, $400.
24. Note received from C. L. Larson, on account, $300.

The following entries were in the sales book:
Oct. 5. E. E. Gardner, $450.
10. J. C. Richards, $375.
16. J. B. Kurtz, $125.
23. J. L. Miller, $850.
23. C. L. Larson, $500.
30. W. L. Hyatt, $700.

CHAPTER XXIII

CAPITAL AND REVENUE

Revenue Receipts and Revenue Expenditures. Among the most important reasons for keeping a record of business transactions is the desire to know the operating status and the financial status of the business. The operating status is determined periodically by closing the income and the expense accounts of the period into the *Profit and Loss* account. If the income exceeds the expenses, the *Profit and Loss* account shows a credit balance which is the amount of the net profit of that period; but if the expenses exceed the income, the *Profit and Loss* account shows a debit balance which indicates the net loss of that period. The terms *revenue receipts* and *revenue expenditures* are often used for the words *income* and *expense*, respectively; for example, merchandise sales is a revenue receipt, but the cost of merchandise sold and the expenses of operating a business are revenue expenditures.

Capital Receipts and Capital Expenditures. The financial status is determined periodically by the compilation of a balance sheet or financial statement, which is composed of asset, liability, and proprietary-interest accounts. The capital contributions of the owners of the business, as recorded under the proprietary-interest accounts, are referred to as capital receipts, but the expenditures which increase the value of the property are called capital expenditures; for example, the *Investment* account of the Proprietor or the *Investment* account of the partners record the capital receipts, but the expenditures for erecting and equipping a new store building or factory are capital expenditures.

Difference between Capital and Revenue. Capital receipts and expenditures are frequently referred to as capital; revenue receipts and expenditures as revenue. The distinction between capital and revenue is vital, for if errors are made in classifying the accounts, both the profit and loss statement and the balance sheet or financial statement fail to reveal the real condition of affairs. The student must keep constantly in mind the fact that capital accounts are permanent in their nature, as they represent investments and the property used in the business, and appear in the financial statement or balance sheet of the period; while the revenue accounts are temporary accounts used to record the periodical income and expense of a business, and reveal the

profit and loss operations of the period. When the expenditure is incurred for the first time, it is seldom difficult to distinguish between capital and revenue charges; but when matters of repairs or replacements are considered, the problem becomes more complex. In general, all repairs or replacements which do not increase the value of the asset beyond its original efficiency are chargeable to revenue, and only the actual increase in the value of the asset is chargeable to capital. For example, if a wooden walk is built from the street to a house, the charge is made to capital. If the wooden walk were replaced the next year by a cement walk, capital would be charged only for the excess value of the cement walk over the wooden walk, while revenue would be charged for the cost of the wooden walk.

The following exercise is suggested as an oral drill in distinguishing between capital expenditures and revenue expenditures.

Exercise 68. Capital and Revenue

Tell which of the following are capital expenditures and which are revenue expenditures:

1. Building a house.
2. Repairing a house.
3. Repainting a store building.
4. Adding a story to a store building.
5. Purchasing a new machine.
6. Repairing a broken machine.
7. Replacing an automobile tire with one of the same quality.
8. Replacing the tire with one of a better quality.
9. Reshingling a house with asphalt shingles when wooden shingles were formerly used.
10. Rebinding books.
11. Replacing carbon incandescent lamps.
12. Replacing carbon incandescent lamps with tungsten incandescent lamps.
13. Purchasing a book for the library.
14. Purchasing a copy of a book for the library to replace one which had been lost.

CHAPTER XXIV

DEPRECIATION

Depreciation Defined and Explained. Depreciation is the loss suffered because certain assets of a business wear out or deteriorate in value. Depreciation also includes the loss suffered through operating accidents which destroy any portion of the assets of a business. Again, the loss suffered through replacement or abandonment because the equipment of a plant may prove inadequate or out of date is usually considered as depreciation.

When property, such as a machine or a building, is first bought or comes into the possession of the business, its value as an asset is the cost price. As time goes on, this property becomes through use or exposure in need of repair, which fact indicates clearly that the value has lessened even though repairs may not yet be imperative. To illustrate, an automobile in regular use is constantly wearing out and its value is decreasing, but it must necessarily be some time before the machine reaches such a stage that repairs are needed, or that some parts must be replaced. This decrease in the value of the automobile is depreciation.

The effect of recognizing depreciation as an operating expense is so to distribute the loss due to any cause — wear and tear, general decay, accidents, or inadequacy — over the years of the life of the asset that each year may be burdened with a portion of the loss. Where depreciation is not recognized, the period in which the asset is replaced must bear the entire loss. This method is obviously unfair, since each operating period in which the assets under consideration were used should bear its share of their decrease in value.

Depreciation in value should be recognized from the moment the asset is purchased, for the original price is seldom obtained for any second-hand article. Repairs do not offset depreciation, for even though repairs are made as required and the greatest efforts taken to keep the property up to its original efficiency, the assets are constantly wearing out, and a time comes when they will have to be replaced. A common illustration of this fact is that of a suit of clothes, which, though kept in the best of repair, gradually becomes so worn that it is abandoned and a new suit purchased.

Depreciation is not dependent upon profits, but is a cost of conducting the business. It should be realized that the assets are constantly decreasing in value, whatever may be the profit or loss of that particular period.

Estimating Depreciation. The three factors most frequently considered in determining the rate at which an asset depreciates are the original cost, the probable life, and the scrap value. From the bookkeeping standpoint the problem is to use this rate in determining and recording the depreciation so that the book value of the asset will be the same as the scrap value at the end of its probable life, and so that the depreciation may be distributed properly over the years of the life of the asset.

There are several different methods of arriving at the amount of depreciation to be charged periodically to operating expense. The one considered in this text is called the fixed proportion method.

To illustrate this method, an asset is taken whose original cost is $500, and the scrap value is estimated to be $50 after five years' use. Since the cost price is $500 and the scrap value $50, the difference, or $450, represents the depreciation to be distributed in equal proportions over the five years of the life of the asset. Thus each year would be charged with one fifth of $450, or $90. Expressed as a percentage, which is the usual way of referring to the amount of depreciation, 18% of the cost price of the asset should be charged to operating expense each year.

Recording the Depreciation. A *Reserve for Depreciation* account records the amount of depreciation which has been accumulated by periodical charges to operating expense. The monthly journal entry to place these data upon the ledger is to debit *Depreciation* and to credit *Reserve for Depreciation.* The *Depreciation* account is closed periodically into a *Profit and Loss* account. By keeping a *Reserve for Depreciation* account, the management recognizes the decrease in value of the respective asset accounts, or, in other words, the management recognizes the overvaluation of the assets. For this reason, a *Reserve for Depreciation* account is called a valuation account. A *Reserve for Depreciation* account always shows a credit balance.

To illustrate, assume that store furniture which cost $500 is estimated to depreciate $10 monthly. The *Reserve for Depreciation, Store Furniture* account, increasing from month to month, records this estimated decrease in value. When a balance sheet or financial statement is taken, the *Reserve for Depreciation* account is deducted from the asset account, and only the net value is extended; thus the items

would appear upon the financial statement at the close of the first month as follows:

Store Furniture	$500	
Less Reserve for Depreciation	10	$490

To illustrate the use of the several accounts opened in connection with depreciation, the same item of Store Furniture is taken, which cost $500, and which is estimated to have a scrap value of $20 after four years' use. The depreciation is therefore $10 a month.

The monthly entries are as follows:

Depreciation, Store Furniture	10	
Reserve for Depreciation, Store Furniture		10
To charge the depreciation as operating expense and to set up the valuation account.		
Trading	10	
Depreciation, Store Furniture		10
To close the operating expense account into the *Trading* account.		

NOTE. *Trading* is a section of the *Profit and Loss* account explained on page 326.

If the old furniture is sold at the end of a period for $20 and if new equipment is bought for $500, the entries necessary to record the true condition of affairs are as follows:

Cash	20	
Store Furniture		20
Sale of asset for cash.		
Reserve for Depreciation, Store Furniture	480	
Store Furniture		480
To close the *Store Furniture* account into *Reserve for Depreciation* account.		

The money with which to purchase the new store equipment would be taken from the general cash account. The entry is as follows:

Store Furniture	500	
Cash		500
To record the purchase of new equipment.		

Exercise 69 is suggested as a drill in calculating and recording depreciation.

Exercise 69. Depreciation

1. What are the annual depreciation percentages and the monthly depreciation charges on each of the following assets:

Asset	Cost	Estimated Life	Estimated Scrap Value
(*a*) Automobile	$1200	5 years	$00
(*b*) Machinery	2500	10 years	100
(*c*) Office Building	95000	50 years	5000
(*d*) Residence	7500	30 years	300
(*e*) Office Furniture	1300	10 years	100

2. ***a.*** The furniture and furnishings in the store of J. R. Balmer cost $1000. He believes that he can use them ten years and then sell them for $100. Give the monthly journal entry:

(1) To record the depreciation charge.
(2) To write off the depreciation charge into the *Trading* account.

b. If the furniture and furnishings were sold at the end of ten years for $100 cash, and new furniture purchased for $900 cash, give the journal entries:

(1) To record the sale of the property.
(2) To record the purchase of the new furniture.

3. The buildings and fixtures of John Carter are valued at $13,540; the furniture and furnishings at $5175.

a. What is the depreciation charge for the month if depreciation on buildings and fixtures is estimated at $7\frac{1}{2}\%$ per year, and on furniture and furnishings at 12% per year?

b. What is the monthly entry necessary to record these charges?

c. What will be the amounts in the reserve accounts at the end of three years?

d. Show how the assets and the respective reserve accounts would appear in a balance sheet or financial statement taken at the end of three years.

CHAPTER XXV

BAD DEBTS

Definition. *Bad debts* is a term applied to the losses suffered through accounts receivable proving doubtful of collection or uncollectible.

Estimating Bad Debts. The anticipated amount of bad debts is calculated by taking a certain percentage of the sales of the period. The percentage taken is based upon experience, and is made large enough to include expenses incurred in attempting to collect past-due accounts, such as commissions and expenses of collectors. The percentage may be based upon the total amount of the cash and the credit sales, or upon the amount of the credit sales only.

Recording Bad Debts. The monthly journal entries to record the proper data relative to bad debts are illustrated by the statement that the monthly sales of a business are $20,000 and that the volume of bad debts in the past leads the proprietors to consider 1% of sales as the loss incurred. The entry to record the provision for anticipated bad debts is as follows:

Bad Debts	200	
Reserve for Bad Debts		200
To record the anticipated loss from bad debts, 1% upon the sales of $20,000.		

The *Bad Debts* account is closed periodically into a *Profit and Loss* account, and the *Reserve for Bad Debts* account records the accumulated amount against which may be charged customers' accounts that prove worthless and the charges incurred in the attempts made to collect them.

The *Reserve for Bad Debts* account is a valuation account for the reason similar to that given for the *Reserve for Depreciation* account on page 320.

When a balance sheet or financial statement is taken, the *Reserve for Bad Debts* account is deducted from the *Accounts Receivable* and only the net amount is extended. Thus, in the above illustration, assuming the balance of the *Accounts Receivable* controlling account to

be $5750, the two accounts would appear upon the financial statement at the close of the month as follows:

Accounts Receivable	$5750	
Less Reserve for Bad Debts	200	$5550

When an account has proved worthless, the amount is debited directly to the *Reserve for Bad Debts* account. To illustrate, assume that the account of A. Barton of $25 has proved uncollectible. The journal entry is as follows:

Reserve for Bad Debts	25	
Accounts Receivable		25
Account of A. Barton which has proved uncollectible.		

Exercise 70 is suggested as practice in calculating and recording data relative to bad debts.

Exercise 70. Bad Debts

Give the entries to record the following statements:

1. The sales for the month are $7625, and 1% of the sales has been estimated to cover losses from bad debts.

2. The collector is paid $2 in cash for expenses incurred in attempting to collect the account of $50 against J. Kalmer.

3. The account with J. Kalmer proves uncollectible.

CHAPTER XXVI

THE REVENUE ACCOUNTS AND OPERATING STATEMENT OF A SINGLE-DEPARTMENT BUSINESS

Profit and Loss Account. A *Profit and Loss* account is compiled at the close of a fiscal period to determine the net profit or loss resulting from the operations of that period, and it is closed as soon as that purpose has been accomplished. A profit and loss statement shows the same information arranged in nontechnical form and expanded to show the details of the volume and the sources of income and the volume and the purposes of expense.

In the previous sets the profit and loss and financial statements have been made before the general ledger was closed. From this point on the general ledger is closed first and then the statements are compiled. Opinions of authorities differ on the exact time the statements should be made. The procedure followed in the advanced text is based upon the assumption that the information contained in the statements already appears in the general ledger accounts — that the statements are prepared to give persons ledger facts, summarized, and void of technical bookkeeping requirements. It should be noted that if the statements are considered as giving information relative to the condition of a business "in accordance with the books," all closing and adjusting entries should be posted to the general ledger accounts before the statements are compiled.

Divisional Profit and Loss Accounts. In modern bookkeeping the single *Profit and Loss* account, which records the net result of operating the business as a whole, is rapidly disappearing, and in its place are found profit and loss accounts which reveal the operations of each part or division of the business organization. The net result obtained from the separate divisional profit and loss accounts is the same as that obtained from the one *Profit and Loss* account, but data are obtained by means of the divisional accounts which enable the management to be informed of the exact condition of each phase of the business. For example, the business of a merchant may be divided into three divisions, — sales, general administration, and finances, — and accordingly profit and loss accounts should be kept with the selling, the administrative, and the financial divisions of his business.

Revenue Accounts Defined. The several subdivisions of the *Profit and Loss* account bear titles appropriately describing the nature of the data recorded thereunder, and when considered as a group they are called

revenue accounts. Thus, the revenue accounts of a merchant relating directly to merchandising are usually two in number, — *Trading* and *Administration.*

Trading Account. The *Trading* account is used in this and subsequent sets as a revenue account, to record all the profit and the loss items relating directly to the purchase and the sale of merchandise. In Set VI the *Merchandise Trading* account was used to obtain the gross profit on merchandise sold.

The *Trading* account includes such accounts as *Salesmen's Salaries*, *Heat*, *Electricity*, *Advertising*, *Delivery Expense*, *Taxes*, *Insurance*, *Depreciation*, *Wrapping and Packing Supplies*, and *Repairs to Store Furniture and Furnishings*, as well as the accounts necessary to determine the gross profit on merchandise sales. The balance of the *Trading* account, representing gross profit on sales less the direct selling expense, is transferred to the *Administration* account.

Administration Account. The *Administration* account is the revenue account which groups the profit and the loss items relating to the general administration of the business.

The *Administration* account includes such accounts as *Office Salaries*, *Stationery and Office Supplies*, *Postage*, *Telephone and Telegrams*, *Donations*, and *Sundry General Expense.* The balance of the *Administration* account, representing the net operating profit or loss, is transferred to the *Appropriation* account.

Financial Income and Expense Account. The *Financial Income and Expense* account is used to group all purely financial items together, and thus exclude them from any revenue account relating to the direct operation of the business. The *Financial Income and Expense* account includes such accounts as *Interest Earned*, *Interest Paid*, *Merchandise Discount on Purchases*, *Merchandise Discount on Sales*, and *Collection and Exchange.* If this account shows a gain, the balance is transferred to the credit of the *Appropriation* account; if a loss, to the debit of *Appropriation.*

Appropriation Account. The *Appropriation* account is used to group the net operating profit or loss from the *Administration* account, and the net financial profit or loss from the *Financial Income and Expense* account. The balance of the *Appropriation* account represents the net profit or loss for the period and is transferred to the owner's account if the business is conducted by an individual, or divided between the proprietors in the agreed proportion if the business is conducted by partners.

The Operating Statement. Just as the *Profit and Loss* account is divided into sections to better reveal the results of the divisional

operations of the business, so the profit and loss statement is divided into selling, administrative, and financial sections each containing, in nontechnical form, the details of the data appearing under the corresponding accounts in the ledger. Such statements are referred to collectively as the profit and loss statement, the operating statement, the revenue statement, the income statement, or the income sheet. In the remainder of this text the term *operating statement* is used.

The determination of the net results of the period when revenue accounts are employed and the compilation of the operating statement are illustrated by using the accounts appearing upon the ledger of West & Wilson, retail merchants.

The trial balance of the mercantile firm of West & Wilson on Jan. 31, 19—, is as follows:

Cash	$400	
Notes Receivable	100	
Accounts Receivable	2300	
Mdse. Inventory, Jan. 1	15000	
Real Estate	1200	
Building and Fixtures	9600	
Furniture and Furnishings	3000	
Unexpired Insurance	240	
Notes Payable		$400
Accounts Payable		2763
W. A. West, Investment		14000
W. A. West, Drawing	75	
J. L. Wilson, Investment		14000
J. L. Wilson, Drawing	60	
Mdse. Sales		4000
Interest Earned		2
Mdse. Discount on Purchases		50
Mdse. Purchases	2500	
Salesmen's Salaries	400	
Heat	20	
Light	15	
Advertising	170	
Delivery Expense	70	
Repairs to Buildings and Fixtures	25	
Stationery and Office Supplies	10	
Postage	10	
Telephone and Telegraph	10	
Donations	5	
Interest Paid	5	
	$35215	$35215

NOTATIONS:

The month's share of taxes is estimated at $25.
Insurance for the month, $12.
The loss from bad debts is estimated at 1% of the sales.
Depreciation on building and fixtures, 5% per year.
Depreciation on furniture and furnishings, 10% per year.
Inventory, merchandise Jan. 31, 19—, $14,750.

The journal entries necessary to record the taxes, insurance, bad debts, and depreciation for the month are as follows:

Taxes	25	
Accrued Taxes		25
To charge operating expense with the month's share of estimated taxes.		
Insurance	12	
Unexpired Insurance		12
Portion of insurance chargeable to January.		
Bad Debts	40	
Reserve for Bad Debts		40
To record the anticipated loss from bad debts, 1% upon the sales of $4000.		
Depreciation	65	
Reserve for Depreciation, Buildings and Fixtures		40
Reserve for Depreciation, Furniture and Furnishings		25
To record the estimated depreciation for the month.		

NOTE. The treatment of prepaid or unexpired expense accounts in the remainder of this text may be illustrated by the payment of $48 as the one-year premium on a fire-insurance policy. When the payment is made, the entry is as follows:

Unexpired Insurance	48	
Cash		48
One year's premium fire insurance policy.		

At the close of each month the *Unexpired Insurance* account is credited and an *Insurance* account is debited with the month's share of expense. In this illustration the entry is:

Insurance		4		
Unexpired Insurance				4
Portion of premium chargeable to this month.				

By recording the transactions in the manner indicated, the use of the *Sundry Expense Inventory* account is eliminated, and the amount of each prepaid or unexpired expense is shown as a balance of the appropriate account.

Setting up the Trading Account. By closing the accounts which relate directly to the purchase and sale of merchandise into an account called *Trading*, West & Wilson may determine the trading profit which is being made on the merchandise sold. The journal entries necessary for accomplishing this purpose are as follows:

Mdse. Purchases		15000		
Mdse. Inventory				15000
To transfer the inventory of Jan. 1 to the *Mdse. Purchases* account.				
Mdse. Inventory		14750		
Mdse. Purchases				14750
To record the merchandise inventory and to credit the *Mdse. Purchases* account for the merchandise remaining unsold on Jan. 31.				
Mdse. Sales		4000		
Trading				4000
To close the *Mdse. Sales* account.				
Trading		3592		
Mdse. Purchases				2750
Salesmen's Salaries				400
Heat				20
Light				15
Advertising				170
Delivery Expense				70
Repairs to Buildings and Fixtures				25
Taxes				25
Insurance				12
Bad Debts				40
Depreciation				65
To close these accounts into the *Trading* account.				

NOTE. If an asset is used for general sales purposes, the *Depreciation* account for the asset is closed into the *Trading* account; but if an asset is used for office purposes only, the *Depreciation* account for this asset is closed into the *Administration* account. Thus it may be necessary to open separate depreciation accounts for each asset.

The *Bad Debts* account is closed into the *Trading* account.

When these entries are posted, the *Trading* account appears as follows:

TRADING

19—					19—			
Jan.	31	J.	3592		Jan.	31	J.	4000

NOTE. The folio of the journal from which the entries are obtained is omitted.

The balance of $408 is the trading profit on the merchandise sold, and is transferred to the credit of the *Administration* account by the following journal entry:

Trading	408	
Administration		408
To transfer the trading profit on merchandise sold to the *Administration* account.		

NOTE. If the cost of the merchandise sold plus the selling expenses exceeds the income from sales, a trading loss occurs. The journal entry to transfer this loss to the *Administration* account is to debit the *Administration* account and to credit the *Trading* account for the proper amount.

Setting up the Administration Account. The accounts relating to the administration of the business are closed into the *Administration* account by making and posting the following journal entry:

Administration	35	
Stationery and Office Supplies		10
Postage		10
Telephone and Telegraph		10
Donations		5
To close these accounts into the *Administration* account.		

When these entries are posted, the *Administration* account appears as follows:

ADMINISTRATION

19—					19—			
Jan.	31	J.	35		Jan.	31	J.	408

The balance is the net profit from operation and is transferred to the credit of the *Appropriation* account by the following journal entry:

Administration	373	
Appropriation		373
To transfer the net operating profit to the *Appropriation* account.		

Setting up the Financial Income and Expense Account. There are two accounts relating to financial income and one account relating to financial expense which are closed into the *Financial Income and Expense* account by making the following journal entries:

Interest Earned	2	
Mdse. Discount on Purchases	50	
Financial Income and Expense		52
To close these two financial income accounts.		
Financial Income and Expense	5	
Interest Paid		5
To close this financial expense account.		

The balance of the *Financial Income and Expense* account is transferred to the *Appropriation* account by the following journal entry:

Financial Income and Expense	47	
Appropriation		47
To transfer the net financial income to the *Appropriation* account.		

Closing the Appropriation Account. The sum of the two credits to the *Appropriation* account shows the net profit available for equal

division between West & Wilson. The journal entry to record this division is as follows:

Appropriation	420	
W. A. West, Drawing		210
J. L. Wilson, Drawing		210
To divide the net profits between the partners.		

The Revenue Accounts. The revenue accounts of West & Wilson appear upon the ledger as follows:

TRADING

19—					19—			
Jan.	31	J.	3592		Jan.	31	J.	4000
	31	J.	408					
			4000					4000

ADMINISTRATION

19—					19—			
Jan.	31	J.	35		Jan.	31	J.	408
	31	J.	373					
			408					408

FINANCIAL INCOME AND EXPENSE

19—					19—			
Jan.	31	J.	5		Jan.	31	J.	52
	31	J.	47					
			52					52

APPROPRIATION

19—					19—			
Jan.	31	J.	420		Jan.	31	J.	373
							J.	47
			420					420

Operating Statement. Since these revenue accounts are in the ledger, placed there according to the principles of double-entry bookkeeping, it is desirable that an operating statement be compiled, showing in another form the same data as contained in the accounts. The operating statement for West & Wilson appears as follows:

West & Wilson

OPERATING STATEMENT

For the month of January, 19—

Mdse. Sales			$4000
Mdse. Inventory, Jan. 1		$15000	
Mdse. Purchases		2500	
		$17500	
Mdse. Inventory, Jan. 31		14750	
Cost of merchandise sold			2750
Gross profit on sales			$1250
Trading expenses:			
Salesmen's Salaries		$400	
Heat		20	
Light		15	
Advertising		170	
Delivery Expense		70	
Taxes		25	
Insurance		12	
Bad Debts		40	
Depreciation		65	
Repairs to Buildings and Fixtures		25	842
Trading profit			$408
Administrative expenses:			
Stationery and Office Supplies		$10	
Postage		10	
Telephone and Telegraph		10	
Donations		5	35
Net operating profit			$373
Add: Financial Income			
Interest Earned	$2		
Mdse. Discount on Purchases	50	$52	
Deduct: Financial Expense			
Interest Paid		5	47
Net profit for January			$420

Exercise 71 is suggested for drill in using the revenue accounts and compiling the operating statement.

Exercise 71. Revenue Accounts and Operating Statement

1. Under the headings *Trading*, *Administration*, and *Financial Income and Expense* group the following accounts:

Advertising	Merchandise Discount on Purchases
Delivery Expense	Merchandise Discount on Sales
Donations	Merchandise Purchases
Heat	Merchandise Sales
Insurance	Postage
Interest Earned	Repairs to Furniture and Furnishings
Interest Paid	Salesmen's Salaries
Janitor Service	Stationery and Office Supplies
Light	Taxes
	Wrapping and Packing Supplies

2. Compile the *Trading*, *Administration*, *Financial Income and Expense*, and *Appropriation* accounts from the following data:

Inventory, first of year	$33000
Purchases during the year	51000
Sales during the year	70000
Inventory, end of year	37000
Salesmen's Salaries	3500
Rent	1500
Advertising	2500
Insurance	175
Taxes	200
Delivery Expense	1500
Office Salaries	2400
Stationery and Office Supplies	125
Postage	50
Sundry General Expense	150
Mdse. Discount on Purchases	1000
Interest Paid	150

3. The value of the proprietary interest of the trading business of John Carter on Jan. 1, 1917, was $35,000. From the following accounts compile the operating statement for the year 1917 and show the value of the proprietary interest of the business Dec. 31, 1917:

Advertising	$2000
Delivery Expense	1500
Depreciation, Furniture and Furnishings	500
Heat	400
Insurance	400
Interest Paid	100
Light	200

Mdse. Discount on Purchases	$700
Mdse. Inventory, Jan. 1, 1917	30000
Mdse. Inventory, Dec. 31, 1917	35000
Mdse. Purchases	80000
Mdse. Sales	100000
Office Salaries	1200
Postage	100
Rent	2400
Salesmen's Salaries	5000
Stationery and Office Supplies	50
Taxes	200

4. From the following trial balance taken from the books of W. L. Taylor, Dec. 31, 19—, and notations, compile (*a*) the closing entries; (*b*) the revenue accounts; (*c*) the operating statement:

Cash on hand	$1000	
Accounts Receivable	2000	
Inventory of Shoes, Dec. 1	12000	
Furniture and Furnishings	600	
Unexpired Insurance	150	
Accounts Payable		$1050
W. L. Taylor, Investment		13720
Shoe Sales		3600
Mdse. Disc. on Purchases		25
Shoe Purchases	2025	
Rent	100	
Heat	25	
Light	15	
Advertising	100	
Salesmen's Salaries	250	
Office Salaries	60	
Stationery and Office Supplies	40	
Postage	10	
Sundry Office Expense	15	
Interest Paid	5	
	$18395	$18395

NOTATIONS:

Depreciation, furniture and furnishings, 10% per year.
Insurance charge for the month, $15.
Inventory, Dec. 31, 19—, $11,750.

Financial Statement. The financial statement for West & Wilson on Jan. 31, 19—, illustrates how the *Reserve for Bad Debts* and *Reserve for Depreciation* accounts are deducted from the asset accounts.

West & Wilson

FINANCIAL STATEMENT

January 31, 19—

ASSETS			
Cash		$400	
Notes Receivable		100	
Accounts Receivable	$2300		
Less Reserve for Bad Debts	40	2260	
Mdse. Inventory, Jan. 31		14750	
Real Estate		1200	
Building and Fixtures	$9600		
Less Reserve for Depreciation	40	9560	
Furniture and Furnishings	$3000		
Less Reserve for Depreciation	25	2975	
Unexpired Insurance		228	
Total Assets			$31473
LIABILITIES			
Notes Payable		$400	
Accounts Payable		2763	
Accrued Taxes		25	
Total Liabilities			3188
PROPRIETARY INTEREST			
W. A. West, Investment	$14000		
W. A. West, Drawing	135	$14135	
J. L. Wilson, Investment	$14000		
J. L. Wilson, Drawing	150	14150	
Total Proprietary Interest			$28285

Exercise 72. Financial Statement

As an exercise it is suggested that the student verify the figures in the above financial statement by drawing up the statement independently.

NOTE. In the remainder of this text the term *financial statement* is used rather than *balance sheet* or *financial statement*. If the instructor desires, he may request that the asset, liability, and proprietary-interest accounts be arranged in the balance-sheet form rather than in the statement form.

CHAPTER XXVII

SET VII. RETAIL CLOTHING BUSINESS

RECORDING RETAIL SALES

Sales Slips. Retail sales are usually recorded upon sales slips, which contain space for recording the date, the clerk number, the department, the quantity, the description of the goods sold, and the sales price. In some stores the cost mark is recorded upon the sales slip, while in others the cost price is determined in the office and recorded upon the summaries described below. These sales slips are generally numbered

DAILY SALES SUMMARY BY CLERKS

_____ 19

CLERK NO. 1								CLERK NO. 2							
Cash				Credit				Cash				Credit			
Slip No.	Sales Price	Cost Price	Profit	Slip No.	Sales Price	Cost Price	Profit	Slip No.	Sales Price	Cost Price	Profit	Slip No.	Sales Price	Cost Price	Profit

SALES SUMMARY BY CLERKS

consecutively, and twenty-five or fifty are bound together into a pad or a clerk's sales book. By the use of carbon paper duplicate and triplicate copies of the sales ticket may be made. One copy of the sales slip is given to the customer, and the other copies are retained in the office. The exact disposition of the sales-slip copies depends upon the system used in the particular store under consideration.

Sales slips may be sorted according to cash and credit sales, and the totals used to verify the cash balance and the accounts receivable charge for the day.

They may be sorted, and the data recorded, as to cash and credit sales made by the different *clerks*, and when the costs of such sales are ascertained, the gross profits made on goods sold by each clerk may be known. The salaries of many clerks are dependent upon the amount of their sales and the gross profit resulting therefrom. The illustration on the preceding page shows the ruling of a blank which may be used for summarizing the daily sales of the clerks.

This form may also be used for a monthly summary by placing an additional column at the left for the days of the month, and entering

DAILY SALES SUMMARY BY DEPARTMENTS

_____ 19

DEPT. A				DEPT. B				DEPT. C			
Slip No.	Sales Price	Cost Price	Profit	Slip No.	Sales Price	Cost Price	Profit	Slip No.	Sales Price	Cost Price	Profit

SALES SUMMARY BY DEPARTMENTS

in the respective columns, opposite the proper dates, the totals of the columns from the daily sales summary.

The sales slips may be sorted, and the data recorded, by *departments*, so that the management may know the sales of each department, and after subtracting the cost of such sales, the gross profit for that department may be obtained. The form above shows the ruling of a blank which may be used for summarizing the sales data by departments. The rulings of this form may be used for a monthly summary of sales by departments by using an additional column at the left for the days of the month. The totals of the columns from the daily sales summary may then be entered in the corresponding columns, opposite the proper date.

In many retail establishments data are recorded upon the sales slips so that the Proprietor may learn of the manufacturer or the wholesaler whose products are most profitable to handle.

Returned Merchandise. Merchandise returned by customers is usually that which has been taken out on approval. Adjustments should be made in the accounts affected and in the sales and cost summaries, according to clerks and departments, so that the facts there recorded may at all times agree with the data recorded in the accounts. A separate Merchandise Returned sheet may be kept for the purpose of summarizing the data before they are entered in the books. A suggested ruling for such a blank is shown in the following illustration:

MERCHANDISE RETURNED SUMMARY

_____ 19

Date	Clerk No.	Department	F	Name of Customer	Address	Sales Price	Cost Price

MERCHANDISE RETURNED SHEET

In many stores sales slips for merchandise taken out on approval are held as memoranda until the goods are returned, and if the goods are not returned within a reasonable time, the sale is posted to the customer's account.

Summaries of sales data by clerks and by departments and the summary of returned merchandise illustrate the value of keeping records supplementary to the double-entry books of account. These records not only make such information available for general reference, but they also furnish the manager of the business a basis for determining many administrative policies. The student should realize that the facts recorded in the books of account should also be studied and analyzed, so that the Proprietor may have full knowledge relative to the results of his management of the business.

Exercise 73 is suggested for drill in the use of the forms for summarizing sales by clerks and by departments.

Exercise 73. Recording Retail Sales

1. On sheets of paper reproduce the forms for summarizing sales by clerks and by departments, and enter the data given below in the appropriate spaces of the proper form. The data represent the sales of Jan. 20, 19—, in the dry-goods store of Keeley & Burdick.

Clerk No.	Sale for	Department	Sales Price	Cost Price
1	Cash	A	$6.	$4.20
2	Cash	C	5.	3.50
2	Credit	B	5.50	3.75
1	Credit	A	25.	17.50
1	Credit	B	10.	7.
1	Cash	A	3.	2.
2	Credit	C	1.50	1.
1	Credit	B	3.50	2.50
2	Cash	C	4.	2.75
2	Credit	B	4.	3.
1	Cash	A	5.	3.75
2	Cash	B	10.	8.
2	Cash	C	15.	12.
1	Credit	A	17.50	13.
2	Credit	A	12.	9.
2	Cash	B	10.	9.25
1	Cash	C	12.50	10.
1	Credit	B	7.50	5.
2	Credit	A	4.	3.
1	Cash	C	5.	3.75

After the data are entered on each form, fill in the *Profit* columns by subtracting the cost price from the sales price.

a. What was the gross profit from the sales of Clerk No. 1? Clerk No. 2?

b. What was the gross profit from the sales in each of the departments?

c. Does the sum of the gross profits made on the sales of the clerks equal the sum of the gross profits made in the three departments?

2. On sheets of paper reproduce the forms for summarizing sales by clerks and by departments with the following changes in the sectional headings:

On the Sales Summary by Clerks do not insert the words relating to the clerk numbers.

On the Sales Summary by Departments do not insert the words relating to the departments.

Summarize the sales data given below in the proper columns on the proper forms. They represent the sales of Jan. 22, 19—, in the retail shoe store of J. B. Warner. Insert the names of both the clerks and the departments in the proper spaces.

Clerk	Sale	Department	Sales Price	Cost Price
Brown	Cash	Men's	$5.	$3.50
Jones	Credit	Women's	7.	5.
Jones	Cash	Children's	2.	1.25
Brown	Credit	Women's	3.50	2.25
Brown	Cash	Women's	4.	3.25
Jones	Credit	Men's	8.	5.50
Brown	Credit	Children's	2.50	1.75
Jones	Cash	Men's	4.	3.
Jones	Credit	Children's	2.	1.50
Brown	Cash	Women's	3.50	2.50

After the data are entered on each form, determine the gross profit made on the sales of each clerk and of each department.

PRELIMINARY EXPLANATIONS

Object of the Set. The object of Set VII is to illustrate a bookkeeping system adapted to the needs of the modern retail merchant.

Books Used. The books used in this set are the cash journal, the general ledger, and the purchase ledger.

Cash Journal. While cashbooks, sales books, and purchase books are frequently referred to as divisions of the journal, there is one book used in modern bookkeeping, called the *cash journal*, which is a combination of all the books of original entry.

The cash journal is used when it is the desire of the management to have the transactions of the business recorded in a single book of original entry. Since all the journal entries, or a summary thereof, are in the cash journal, it follows that all the general-ledger postings are made from the cash journal. It is entirely possible to use other books, such as sales books and purchase books, with the cash journal by entering the totals of such books into the cash journal before posting.

The usual order of arranging the columns in a cash journal is to have the appropriate columns for the accounts follow in order, horizontally across the full page. The account columns of more frequent use are usually placed nearest the *Accounts and Explanation* column, in order to save time in making the entry, as well as to decrease the probability of making an error.

The Union Bank			Cash		Date	L.F.	Accounts and Explanation	
Deposits	Checks		Dr.	Cr.				
					Jan. 2		B. R. Burgess and F. N. Walton form a partnership for the purpose of purchasing and conducting the retail clothing and furnishing store of W. A. Williams. The partnership agreement has been filed.	
			10000			2	Cash	Investment per agreement
							Notes Receivable	
							B. R. Burgess, Investment	
			25000			2	F. N. Walton, Investment	Investment per agreement
			200			2	Cash	
							Accounts Receivable	
							Reserve for Bad Debts	
							Inventory	
							Furniture and Furnishings	
							Unexpired Rent	
							Good Will	
							W. A. Williams	
						2	W. A. Williams	
							Accounts Payable	
							Accrued Salaries	
						2	W. A. Williams	
				30300			Cash	
							Notes Payable	
4800				4800		2	Deposit	
	659	09				2	D. G. Taylor & Co.	Inv. 12/24, less 3%
			57	25		2	S. A. Monson	Account in full
			130			2	Sales for the day	
						2	Cost of the daily sales	
						2	A. B. Charlton & Co., Chicago	Terms: 5/10, net 30 da.
				2	40	3	Freight on this shipment	
			25			3	W. A. Donald	On account
				50		3	Accrued Salaries	
				50		3	Salaries for Jan. to date	
	40					3	The Evening Times	Advertising to date
			120			3	Sales for the day	
						3	Cost of the daily sales	
				5		5	Postage	
						5	P. A. Warner, Milwaukee	Terms: 7/10, net 30 da.
				1	25	5	Express on this shipment	
	431	02				5	Chalmers & Co.	Inv. 12/27, less 3%
				5		5	Cleaning store and office	F. A. Hardy
				7	50	5	Automobile supplies	Star Garage Co.
			167	50		5	Sales for the day	
						5	Cost of the daily sales	
4800	1130	11	35699	75	35221	15		
(1)	(1)		(1)		(1)			

MODEL CASH

General Ledger		Accounts Receivable		Accounts Payable		Discount on Purchases	Inventory		Sales		Selling Expenses, Dr.			Office Expenses, Dr.		
Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Cr.	Dr.	Cr.	Dr.	Cr.	Salesmen's Salaries	Advertising	Delivery Expense	Office Salaries	Postage	Sundry Gen. Exp.
15000																
	25000															
	25000															
	240 47	3075 87					30571 95									
4300																
480																
5000																
	43387 35															
9087 35					9037 35											
	50															
34300																
	4000															
				679 47		20 38										
			57 25													
		85						140	140	215						
					285 40		285 40									
			25				2 40									
50											25		10	15		
												40				
		100						135	135	220					5	
					117 85		117 85									
				439 82		8 80	1 25									5
													7 50			
		80						160	160	247 50						
68217 35	97677 82	3340 87	82 25	1119 29	9440 60	29 18	30978 85	435	435	682 50	25	40	17 50	15	5	5
		(2)	(2)	(8)	(8)	(12)	(2)	(2)	(11)	(11)	(13)	(13)	(13)	(14)	(14)	(14)

JOURNAL, SET VII

Columns in the cash journal are provided for those accounts most frequently used in recording the business transactions. When individual columns are not provided, the accounts are entered in the general-ledger columns, and from there posted to the respective accounts in the ledger. If columns are not provided for either the debit or the credit elements of a transaction, a separate line should be used for recording each element, as in the ordinary journal. If columns are not provided for each of the elements of a compound entry, it is advisable to use a separate line for each account.

The model cash journal on pages 342 and 343 is self-explanatory.

General Ledger. The general ledger is the same as that used in Set VI.

Special attention is called to the general-ledger account called *Inventory*. This account as kept in this set is debited with the amount of merchandise on hand at the beginning of the period, the merchandise purchases, the freight, express, and cartage thereon, and with the salaries and other expenses incidental to buying the merchandise. The *Inventory* account is credited with returned purchases and with the cost of the daily sales. The balance of the *Inventory* account indicates the value of the merchandise which should be on hand, and at least once a year an inventory is taken to verify the amount. The *Inventory* account thus serves as a perpetual inventory of the merchandise which should be on hand.

In many businesses a perpetual stock inventory is kept with every commodity as to purchases, sales, and balance on hand. In some cases quantities only are recorded, but in others both quantities and prices are entered. From such records the demands of the trade may be seen from the recorded sales; the buying of goods as to sizes, quantities, and qualities may be more intelligently done, and the money invested in stock which moves slowly may be reduced to a minimum. The balance of the *Inventory* account in the ledger should equal the sum of the values recorded in the balance section of the perpetual inventory cards or sheets of all commodities.

The *Accounts Payable* account in the general ledger controls the purchase ledger containing the accounts with all creditors.

In the average retail store a large number of individual accounts receivable are kept. However, in this set a sales ledger is not maintained. The student should be familiar enough with the use of controlling accounts to recognize the fact that the balance of the controlling account, *Accounts Receivable*, should agree with the balance of the sales ledger. In practice, postings to the sales ledger may be made directly to the account from the sales slips, or the credit sales may be

summarized on a form designed for that purpose, and postings made from this sheet. In some systems the sales slips are themselves retained in an individual customer's binder or file, and no posting is necessary. In this set, when payments are made by customers, the amount is entered in the *Cash* and *Accounts Receivable* columns as usual, but no posting is made.

Sales Summary. In this set data are not presented for summarizing the daily sales from the sales slips by clerks or by departments, but the following summary gives the data to be recorded in the books of account.

SALES SUMMARY FOR MONTH OF JANUARY, 19—

Date	Cash Sales	Credit Sales	Total Sales	Cost of Sales
1				
2	$80	$50	$130	$100
3	90	40	130	95
4	225	100	325	215
5				
6	85	25	110	70
7	75	40	115	80
8	95	50	145	95
9	80	30	110	75
10	95	60	155	100
11	250	125	375	250
12				
13	100	25	125	85
14	50	25	75	55
15	45	50	95	60
16	110	60	170	110
17	85	40	125	80
18	200	150	350	240
19				
20	125	25	150	95
21	140	50	190	125
22	90	20	110	80
23	60	50	110	70
24	85	25	110	80
25	250	100	350	220
26				
27	100	20	120	85
28	80	35	115	85
29	70	20	90	60
30	85	30	115	75
31	90	40	130	90
Totals	$2840	$1285	$4125	$2775

WORK FOR JANUARY

Opening the Set. In this set the student will act as bookkeeper for the retail clothing firm of Sloane & Nelson.

John F. Sloane, who has been the head clerk and buyer in the retail clothing store of W. L. Spaulding, has interested Frank B. Nelson in a plan to buy the business of Mr. Spaulding and to continue it under the name of Sloane & Nelson.

The financial statement of W. L. Spaulding at the close of business, Dec. 31, 19—, is as follows:

Assets			
Cash		$1050	
Accounts Receivable	$4250		
Less Reserve for Bad Debts	250	4000	
Clothing Inventory		30000	
Furniture and Furnishings		3725	
Delivery Automobile		500	
Unexpired Rent		250	
Unexpired Insurance		400	$39925
Liabilities			
Notes Payable		$1000	
Accounts Payable		3845	
Accrued Salaries		80	4925
Proprietary Interest			
W. L. Spaulding, Investment			$35000

Mr. Spaulding agrees to the proposal of Messrs. Sloane and Nelson to take over both the assets and the liabilities at the amounts given in this financial statement. In addition, Mr. Spaulding is to receive $10,000 for the good will of the business.

Good will was defined on page 271 as the value of the accumulated favorable impression produced upon patrons or the community. In each case the factors creating this impression should be analyzed and studied, and the probabilities of the continuance of these factors should be considered in determining the value of good will. The existence of good will as above defined is reflected generally in the profits of the business, and accordingly the excess earned by a proprietor above the normal rate of return upon the capital invested in his business is considered as the return upon good will. It should be assumed that the valuation of good will at $10,000 was agreed upon only after a careful consideration of all the facts relating to Mr. Spaulding's business.

Payment for the business is to be as follows: $30,000 in cash, and $15,000 in five equal notes of the partnership of Sloane & Nelson, due in one, two, three, four, and five months.

Open general-ledger accounts with the account names listed below under *Assets*, *Liabilities*, *Proprietary Interest*, *Income*, and *Expense*. Place six accounts upon each ledger page.

ASSETS

Cash on hand
Cash on deposit — The Union Bank
Notes Receivable
Accounts Receivable
  Reserve for Bad Debts (valuation account)
Inventory
Furniture and Furnishings
  Reserve for Depreciation, Furniture and Furnishings (valuation account)
Delivery Automobile
  Reserve for Depreciation, Delivery Automobile (valuation account)
Good Will
Accrued Interest on Notes Receivable
Unexpired Rent
Unexpired Insurance
Fuel on hand

LIABILITIES

Notes Payable
Accounts Payable
Accrued Salaries
Accrued Expense
Accrued Interest on Notes Payable

PROPRIETARY INTEREST

J. F. Sloane, Investment
J. F. Sloane, Drawing
F. B. Nelson, Investment
F. B. Nelson, Drawing
Trading
Administration
Financial Income and Expense
Appropriation
W. L. Spaulding

INCOME

Sales
Merchandise Discount on Purchases
Interest Earned

EXPENSE

Rent
Heat
Light
Salesmen's Salaries
Advertising
Delivery Expense
Alterations and Busheling
Repairs to Furniture and Furnishings
Insurance
Bad Debts
Depreciation
Office Salaries
Postage
Telephone and Telegrams
Sundry General Expense
Interest Paid

The abstract of the purchase ledger shows the following balances:

	48	Wilson & Co., Chicago		500
	35	Stern & Co., Chicago		350
	30	Carter & Co., Chicago		700
	34	Mayer & Co., Chicago		600
	31	Edwards & Co., Milwaukee		695
	28	Baird & Co., Milwaukee		500
	29	Barrett & Co., Chicago		500
		Balance per Accts. Pay. in the Gen. Ledger	*3845*	
			3845	3845

Enter the above accounts in the purchase ledger, six accounts to a page. For the date and explanation write *Jan. 2, by W. L. Spaulding*, and give the page of the old ledger indicated in the foregoing abstract. Write the addresses of the firms in the ledger.

MEMORANDA OF TRANSACTIONS FOR JANUARY

Thursday, Jan. 2

A summary of the partnership agreement of Sloane and Nelson is as follows:

1. On Jan. 2, 19—, J. F. Sloane and Frank B. Nelson, both of Madison, formed a partnership for the purpose of purchasing and conducting the retail clothing and furnishing store of W. L. Spaulding. The business is to

continue at the same location, 10 State St. The capital investment of the firm is to be $45,000. Sloane is to invest $15,000, of which $6000 is payable in cash, and the balance in three equal promissory notes at 6% interest, due in thirty, sixty, and ninety days, respectively. Nelson is to invest $30,000 cash.

2. Proper books of account are to be kept at the place of business.

3. The books are to be closed on the last day of each calendar month. Proper operating and financial statements are to be prepared each month.

4. Separate investment and drawing accounts are to be kept for each partner.

5. Sloane is to receive a salary of $200 per month as manager of the business. This salary is payable the last day of each month.

6. Profits and losses are to be divided between Sloane and Nelson in proportion to capital contributed.

Make this opening statement in the cash journal:

J. F. Sloane and F. B. Nelson form a partnership for the purpose of purchasing and conducting the retail clothing and furnishing store of W. L. Spaulding. The partnership agreement has been filed.

Make an entry to record the investments of the partners, as follows:

Cash	6000	
Notes Receivable	9000	
J. F. Sloane, Investment		15000
Investment according to the partnership agreement.		

NOTE. Use three lines for making this entry.

Cash	30000	
F. B. Nelson, Investment		30000
Investment according to the partnership agreement.		

NOTE. Use one line for this entry.

Make an entry debiting the assets purchased from Mr. Spaulding and crediting W. L. Spaulding for their sum. Be careful to include good will among the assets.

Make an entry debiting W. L. Spaulding and crediting the liabilities of Mr. Spaulding assumed by the partnership.

Make an entry debiting W. L. Spaulding and crediting *Cash* and *Notes Payable* for the respective amounts given him in payment for the business.

Deposit $6850 in The Union Bank.

Debit *The Union Bank* and credit *Cash.*

Deposit slips and checks are not used in this set. However, in order to keep the account with the bank in proper form, the student is instructed to make deposits and write checks. In each case where such an instruction is given, an entry should be made in the proper columns of the cash journal.

Pay cash for handbills announcing special prices on clothing for Saturday, Jan. 4, $6.

Pay the Circular Distributing Co., by check, for distributing these handbills, $10.

Pay S. F. Rice, by check, for painting a new store sign and changing the name on the windows, $20.

Buy on account alteration and busheling supplies from the Morse Co., City, for $25. Terms: 2/10, net 30 da.

Debit *Alterations and Busheling* in the *General Ledger* column.
Why is it necessary to use two lines for making this entry?

Remit to Wilson & Co., Chicago, a check in payment of the invoice dated Dec. 23, less 2%, $490.

Remit to Stern & Co., Chicago, a check in payment of the invoice dated Dec. 23, less 7%, $325.50.

W. A. Donald pays his account in full, $62.50.

Record the cash and credit sales and the total sales as given in the *Sales Summary.*

Debit *Cash,* $80; *Accounts Receivable,* $50; and credit *Sales,* $130.

Record the cost of the daily sales as given in the *Sales Summary,* $100.

Debit *Sales* and credit *Inventory.*
What should be the value of merchandise on hand?
Notice that the balance of the *Sales* account represents the gross profit or loss on merchandise sold.

Friday, Jan. 3

Receive by express the merchandise ordered Dec. 28 of Bradley & Co., Milwaukee. The invoice is dated Jan. 2. Terms: 7/10, net 60 da.

$1\frac{5}{12}$ doz. W. G. Sweaters	$78.
$1\frac{7}{12}$ doz. V. B. Sweaters	63.
$1\frac{2}{12}$ doz. R. M. Sweaters	42.
1 L. R. Sweater	7.75

Pay cash, for express on this shipment, 55¢.

Pay cash, for repairs to the delivery automobile, $10.

Why should repairs not be charged against the *Reserve for Depreciation* account?

Record the cash and credit sales, the total sales, and the cost of sales as given in the *Sales Summary.*

Saturday, Jan. 4

Deposit cash, $215.95.

What is the balance of cash on hand? on deposit?

The following customers pay their accounts in full: A. L. Hayden, $21.25; K. A. Bell, $17.50; S. A. Peterson, $22.

Enter each payment separately, so that individual postings might be made if the sales ledger were kept in this set.

Remit to the Capital Printing Co. a check for printing stationery, envelopes, and billheads, $15.

Debit *Sundry General Expense.*

Receive by express merchandise ordered Dec. 30 of Wilson & Co., Chicago. The invoice is dated Jan. 3. Terms: 2/10, net 30 da.

½ doz. #100 Shirts	$8.50
1¾ doz. #246 Shirts	8.50
1¼ doz. #6342 Shirts	9.
¼ doz. #236 Shirts	8.50

Pay cash, for express on this shipment, 40¢.

Pay the salaries for the week in cash. The charges are distributed as follows:

Accrued Salaries, $80	Delivery Expense, $5
Inventory, buying salaries, $5	Office Salaries, $6
Salesmen's Salaries, $40	

Use one line for *Accrued Salaries* and only one line for all the other items. Why is this necessary?

Record the data relative to the sales of the day.

Monday, Jan. 6

Deposit cash, $249.35.

The Motor Service Co. has delivered the clothing ordered Dec. 28 of Linden Bros., Chicago. The invoice is dated Jan. 4. Terms: 7/10, net 60 da.

1 #3935 Suit	$20.
4 #3705 Suits	13.
2 #4226 Suits	21.
2 #4163 Suits	26.
3 #3993 Suits	20.50
1 #3880 Suit	19.50
3 #3540 Suits	15.
4 #4298 Overcoats	23.
3 #4278 Overcoats	19.
5 #4277 Overcoats	19.
2 #4283 Overcoats	26.
6 #2146 Overcoats	14.50
3 #3749 Overcoats	16.50
6 #3971 Trousers	6.25
5 #3350 Trousers	5.75
4 #3705 Trousers	3.50
3 #4223 Trousers	6.25
7 #3710 Trousers	4.40
5 #3750 Trousers	3.65

Pay cash, for the freight and cartage on this shipment, $8.75.

Remit to the Morse Co. a check for the purchase of *Jan. 2*, less 2%, $24.50.

Remit to the *College Daily* a check for advertising, $25.

Record the sales data for the day.

What is the gross profit made on merchandise sold to-day? to date?

Tuesday, Jan. 7

Pay cash, for postage, $2.

Pay cash, for car tickets, $5.

Debit *Delivery Expense*, since the tickets will be used in delivering merchandise.

Remit to the Conklin Co. a check for coal delivered to-day for fuel, $50.

How are prepaid expenses treated in this set?

The following customers pay their accounts: J. B. Ramage, $42; E. S. Parker, $11.

What is the total amount due from customers?

Pay J. R. Thomas cash, for hauling ashes, $1.50.

This expense is incidental to heating the store. What account would you debit?

Record the sales data for the day.

What should be the value of merchandise on hand?

Wednesday, Jan. 8

Deposit cash, $195.75.

Remit to Carter & Co., Chicago, a check in full for the invoice dated Dec. 16, less 2%, $686.

Receive by express merchandise ordered Jan. 3 of Carter & Co. The invoice is dated Jan. 7. Terms: 2/10, net 30 da.

$\frac{2}{3}$ doz. #851 Cravats	$11.25
$\frac{1}{4}$ doz. #848 Cravats	11.50
$\frac{3}{4}$ doz. #874 Cravats	13.50
$\frac{1}{2}$ doz. #876 Cravats	14.50
$\frac{1}{6}$ doz. #892 Cravats	15.
$\frac{1}{4}$ doz. #870 Cravats	21.
$\frac{1}{8}$ doz. #891 Cravats	22.50

Pay cash, for express on this shipment, 35¢.

Pay cash, for paint and paint brushes, $1.50.

Debit *Sundry General Expense.*

Record the sales data for the day.

Thursday, Jan. 9

H. B. Clark pays his account, $27.50.

The Motor Service Co. has delivered the new furniture ordered Jan. 3 of the Western Fixture Co., Milwaukee. The invoice is dated Jan. 6. Terms: 3/15, net 30 da. Amount, $1500.

Use a separate line for recording the debit and the credit items of this transaction.

Pay cash, for freight and cartage on this shipment, $7.50.

What is the total cost of the new furniture?

Record the sales data for the day.

Friday, Jan. 10

Deposit cash, $193.15.

Receive an express shipment of merchandise from Warner & Co., Chicago. The invoice is dated Jan. 9. Terms: 7/10, net 60 da.

4 #1121 Boys' Suits	$7.50
7 #1457 Boys' Suits	8.50
3 #1574 Boys' Overcoats	8.50

Pay cash, for the express on the above shipment, $1.25.

J. R. Watson pays his account in full, $85.

Record the sales data for the day.

Saturday, Jan. 11

Remit to Bradley & Co., Milwaukee, a check in payment of the invoice dated Jan. 2, less 7%, $78.12.

Remit to Linden Bros., Chicago, a check in payment of the invoice dated Jan. 4, less 7%, $811.47.

Remit to Wilson & Co., Chicago, a check in payment of the invoice dated Jan. 3, less 2%, $31.85.

What is the balance of the bank account after making these remittances?

Pay the salaries for the week in cash. The charges are distributed as follows:

Salesmen's Salaries, $80 Delivery Expense, $10
Office Salaries, $12

Why is it advisable to make this distribution rather than to charge the entire amount to salaries?

J. L. Campbell pays his account, $15.

Record the sales data for the day.

Monday, Jan. 13

Deposit cash, $341.75.

What is the balance of cash on hand? How does this amount compare with the balance on hand after the deposit made on Monday morning, *Jan. 6*?

Receive by express the merchandise ordered Jan. 3 of Wild & Co., Chicago. The invoice is dated Jan. 11. Terms: 7/10, net 60 da.

1 doz. #7555 Shirts	$42.
1¼ doz. #7558 Shirts	42.
¾ doz. #7550 Shirts	24.
1¾ doz. #3070 Shirts	16.50
½ doz. #3083 Shirts	16.50
1⅓ doz. #2215 Shirts	10.50
1¾ doz. #1240 Shirts	9.50
1¼ doz. #1242 Shirts	9.50
1½ doz. #1248 Shirts	9.50
¾ doz. #1271 Shirts	9.50
1½ doz. #1277 Shirts	9.50

Pay cash, for express on this shipment, $1.45.

Pay C. L. Walker cash, for cleaning the store and basement, $5.

Debit *Sundry General Expense.*

Record the sales data for the day.

Tuesday, Jan. 14

Pay B. A. Barton cash, for repairs to display cases and cabinets, $10.

Debit *Repairs to Furniture and Furnishings* in the *General Ledger* column.
Is this a capital expenditure or a revenue expenditure?

The clothing ordered Jan. 6 of Linden Bros., Chicago, has been delivered by the Motor Service Co. The invoice is dated Jan. 10. Terms: 7/10, net 60 da.

5 #3941 Suits	$16.50
6 #2752 Suits	11.
3 #2841 Suits	10.50
7 #2924 Suits	15.
3 #3422 Suits	19.50
4 #4261 Overcoats	16.50
3 #4187 Overcoats	15.
2 #4376 Overcoats	19.
2 #4414 Overcoats	23.50

Pay cash, for freight and cartage on this shipment, $2.25.

The following customers pay their accounts: B. W. Hornaday, $7.50; R. B. Williams, $18; R. S. Glenn, $24.50.

Record the sales data for the day.

Wednesday, Jan. 15

Remit to Carter & Co., Chicago, a check in payment of the invoice dated Jan. 7, less 2%, $38.46.

Pay cash, for laundry to date, $1.50.

Debit *Sundry General Expense.*

Give the tailor, J. Hardy, a check in payment of his wages to date, $45.

This is an alteration and busheling item. Why should it not be charged to *Salesmen's Salaries*?

Record the sales data for the day.

Thursday, Jan. 16

Deposit cash, $224.80.

The following customers pay their accounts: E. B. Fisher, $27.50; W. A. Bowen, $12; R. W. Collbert, $32.50.

The Motor Service Co. has delivered the following orders:

1. Carter & Co., Chicago. The invoice is dated Jan. 14. Terms: 2/10, net 60 da.

$1\frac{1}{4}$ doz. #158 Shirts	$12.50
$2\frac{1}{4}$ doz. #300 Shirts	12.50
$\frac{3}{4}$ doz. #301 Shirts	12.50
$1\frac{1}{4}$ doz. #305 Shirts	12.50
$1\frac{1}{4}$ doz. #313 Shirts	12.50
$\frac{3}{4}$ doz. #375 Shirts	12.50
$1\frac{1}{2}$ doz. #378 Shirts	12.50
$\frac{3}{4}$ doz. #382 Shirts	12.50
$\frac{3}{4}$ doz. #391 Shirts	12.50
$\frac{3}{4}$ doz. #118 Shirts	13.50
$\frac{3}{4}$ doz. #119 Shirts	13.50
$\frac{3}{4}$ doz. #106 Shirts	24.
$\frac{3}{4}$ doz. #303 Shirts	12.50

What is the total number of dozen purchased at the unit price of $12.50?

2. Baird & Co., Milwaukee. The invoice is dated Jan. 15. Terms: 7/10, net 60 da.

$1\frac{1}{12}$ doz. A. P. Sweaters	$24.
$\frac{2}{12}$ doz. #10 Jerseys	20.40
$\frac{2}{12}$ doz. #15 Jerseys	21.
$\frac{5}{12}$ doz. W. M. Sweaters	63.
$\frac{7}{12}$ doz. L. M. Sweaters	54.

3. Barrett & Co., Chicago. The invoice is dated Jan. 13. Terms: 7/10, net 60 da.

6 #607 Overcoats	$20.
2 #712 Overcoats	22.50
7 #1010 Suits	14.
3 #1014 Suits	16.50
9 #1017 Suits	15.

Give the Motor Service Co. a check in payment of the freight and cartage on the above shipments, $14.

Record the sales data for the day.

Friday, Jan. 17

Deposit cash, $182.

Remit to Mayer & Co., Chicago, a check for $600 in full payment of account.

Remit to Wild & Co., Chicago, a check in payment of the invoice dated Jan. 11, less 7%, $211.82.

C. R. Jackson pays his account, $47.50.

Record the sales data for the day.

Saturday, Jan. 18

Give the Journal Co. a check for advertising to date, $40.

J. R. Ward pays his account of $31.

Remit to Warner & Co., Chicago, a check in payment of the invoice dated Jan. 9, less 7%, $106.95.

Pay the salaries for the week in cash. The charges are distributed as follows:

Inventory, buying salaries, $10	Delivery Expense, $10
Salesmen's Salaries, $70	Office Salaries, $12

Remit to Linden Bros., Chicago, a check in payment of the invoice dated Jan. 10, less 7%, $501.73.

Record the sales data for the day.

Is the total amount due from customers more or less than on *Jan. 2*?

Monday, Jan. 20

Deposit cash, $261.50.

Buy postage stamps for cash, $2.

Remit to the Western Fixture Co., Milwaukee, a check in payment of the invoice dated Jan. 6, less 3%, $1455.

Record the sales data for the day.

Tuesday, Jan. 21

Receive an express shipment of collars from Carter and Co., Chicago. The invoice is dated Jan. 20. Terms: 6/10, 5/30.

14½ doz. Collars	$1.20

Pay the express on this shipment, 65¢.

The following customers pay their accounts: E. R. Watkins, $30; W. J. Warren, $21; B. W. Mason, $14. Pay C. L. Walker cash, for sundry janitor work, $2.50.

Record the sales data for the day.

Wednesday, Jan. 22

Deposit cash, $324.85.

Receive a shipment of cravats from Wilson & Co., Chicago, by prepaid express. The invoice is dated Jan. 21. Terms: 6/10, 5/30.

4 doz. Ecap #60 Slip Bands	$10.50
$2\frac{6}{12}$ doz. Eruth #19 Slip Bands	8.
$4\frac{6}{12}$ doz. Ensign #12 — No Labels (Boxed)	4.37½
$4\frac{6}{12}$ doz. Ensign #12 — No Labels (Bulk)	4.25

Remit to Barrett & Co., Chicago, a check in payment of the invoice dated Jan. 13, less 7%, $416.17.

Pay cash, for sweeping brushes and mops, $4.

C. B. Marshall pays his account of $23.

Record the sales data for the day.

Thursday, Jan. 23

J. L. Miller has collected the following accounts: W. D. Ramsey, $47; E. M. Richards, $27; R. A. Law, $13.50; C. B. Gilbert, $14.

Pay Mr. Miller 5% commission in cash for collecting these accounts.

What is the account, appearing in the opening financial statement, to which this item should be debited?

The Motor Service Co. has delivered a shipment from the Royal Co., Chicago. The invoice is dated Jan. 22. Terms: 7/10, net 60 da.

10 #1647 Suits	$16.50
5 #1747 Suits	17.50
4 #1765 Suits	17.
5 #1472 Suits	14.50
3 #1573 Suits	15.
2 #1589 Suits	15.50
4 #1802 Suits	18.25
6 #2071 Suits	20.50
8 #547 Trousers	5.75
9 #548 Trousers	5.85
5 #327 Trousers	3.50
3 #410 Trousers	4.25
2 #557 Trousers	5.75
6 #671 Trousers	6.25

Pay the Motor Service Co., in cash, for the freight and cartage on this shipment, $3.

Remit to Carter & Co., Chicago, a check in payment of the invoice dated Jan. 14, less 2%, $175.30.

Record the sales data for the day.

Friday, Jan. 24

Deposit cash, $262.42.

Give J. B. Procter a check for insurance on the stock and store equipment, $50.

How will the *Unexpired Insurance* account be reduced at the end of the month to the actual value of the prepaid expense?

Remit to Baird & Co., Milwaukee, a check in payment of the invoice dated Jan. 15, less 7%, $84.30.

M. L. Davidson pays his account, $62.50.

Buy car tickets for cash, $5.

Record the sales data for the day.

Saturday, Jan. 25

Give a check to the *Morning News* for advertising to date, $30.

Give Oliver & Co. a check in payment of supplies for the automobile, $15.

Pay salaries for the week in cash. The charges are distributed as follows:

Salesmen's Salaries, $80 Delivery Expense, $10
Office Salaries, $12

Record the sales data for the day.

How does the gross profit made on to-day's sales compare with the gross profits made on *Jan. 4, 11,* and *18*?

Monday, Jan. 27

Deposit cash, $290.50.

Remit to Edwards & Co., Milwaukee, a check in full payment of account, $695.

Give the City Gas and Electric Co. a check in payment of light reflectors, $35.50.

Debit *Furniture and Furnishings.*
Is this a capital expenditure or a revenue expenditure?

Record the sales data for the day.

Tuesday, Jan. 28

J. L. Miller collects the following accounts receivable: J. B. Patterson, $42; D. K. Robinson, $38; W. A. Perkins, $18; J. B. Sawyer, $14.

Pay Mr. Miller his 5% commission in cash.

Receive a prepaid express shipment from Carter & Co., Chicago. The invoice is dated Jan. 27. Terms: 2/10, net 60 da.

$1\frac{1}{3}$ doz. #1625 Shirts	$10.50
$1\frac{2}{3}$ doz. #1626 Shirts	10.50
$2\frac{1}{2}$ doz. #1458 Shirts	6.50
$3\frac{1}{4}$ doz. #1463 Shirts	6.50

Record the sales data for the day.

Wednesday, Jan. 29

Deposit cash, $286.40.

The Motor Service Co. has delivered the goods ordered Jan. 21 of Stern & Co., Chicago. The invoice is dated Jan. 27. Terms: 7/10, net 60 da.

3 #5540 Suits	$15.
4 #5822 Suits	18.50
2 #5933 Suits	20.50
5 #5425 Suits	16.50
2 #5741 Suits	17.50
4 #7423 Overcoats	14.50
3 #7541 Overcoats	16.50
1 #7542 Overcoat	17.50
1 #7547 Overcoat	19.

Pay cash, for the freight and cartage on this shipment, $2.

Pay, by check, the Kilgore Printing Co. for printing announcement cards, $30.

Remit to Carter & Co., Chicago, a check in payment of the invoice dated Jan. 20, less 6%, $16.36.

Record the sales data for the day.

Does the firm owe creditors more or less than it did on *Jan. 2*?

Thursday, Jan. 30

B. W. Taylor pays his account in full, $96.

Pay cash, for automobile supplies, $10.

Remit to Wilson & Co., Chicago, a check in payment of the invoice dated Jan. 21, less 6%, $94.43.

Record the sales data for the day.

Friday, Jan. 31

Deposit cash, $239.

Give J. Hardy, the tailor, a check in payment of his wages to date, $45.

Remit to the Royal Co., Chicago, a check in payment of the invoice dated Jan. 22, less 7%, $783.90.

Remit to the Jones Garage Co. a check in payment of the storage and care of the delivery automobile, $20.

Give J. F. Sloane a check in payment of his monthly salary, $200. The charge is distributed as follows:

Inventory, buying salary, $50 Salesmen's Salaries, $100
Office Salaries, $50

J. F. Sloane pays, by personal check, his note due to-day. Face of the note, $3000; interest to date, $15.

Use two lines for making this entry.

Deposit this check.

The firm pays W. L. Spaulding, by check, for the note due to-morrow, with interest. Face of the note, $3000; interest to date, $15.

Record the sales data for the day.

Closing the Set. Rule, foot, and balance the cash journal.

Post each of the amounts in the *General Ledger* columns.

Post the totals of the other columns to the appropriate accounts.

Make an abstract of the purchase ledger and have it approved.

Make a trial balance from the general ledger and have it approved.

The following notations should be duly recorded in the cash journal and the entries posted to the ledger:

The accrued salaries total $88 and are distributed as follows: Salesmen's Salaries, $70; Delivery Expense, $8; Office Salaries, $10.

Accrued expenses are: gas and electric light bill, $25; telephone bill, $6.

Rent for the month, $125.

Insurance for the month, $20.

The coal on hand is inventoried at $30.

Depreciation on the furniture and furnishings is estimated at $42.

Depreciation on the delivery automobile is estimated at 18% per year.

The loss from bad debts is calculated to be 1% of the credit sales.

Accrued interest on Notes Receivable, $30.

Accrued interest on Notes Payable, $60.

Close the *Sales* account into the *Trading* account.

Close the accounts relating to selling into the *Trading* account.

Transfer the balance of *Trading* into the *Administration* account.

Close the accounts relating to administration into the *Administration* account.

Transfer the balance of the *Administration* account into the *Appropriation* account.

Close the financial income and expense accounts into the *Financial Income and Expense* account.

Transfer the balance of the *Financial Income and Expense* account to the *Appropriation* account.

Divide the balance of the *Appropriation* account between the partners.

Close the general-ledger accounts.

Prepare the operating and financial statements for the month.

Hand in all books to the instructor for approval.

CHAPTER XXVIII

DETERMINATION OF SELLING PRICE AND THE USE OF PERCENTAGES

Return upon the Investment. When the accounts of a business are closed at the end of a fiscal period, the net profit or the net loss is considered in connection with the investment in the business, — the capital which was employed in producing the result.

Such consideration usually results in the calculation of a percentage return upon the investment, obtained by dividing the net profit by the investment. To illustrate, if the net profit of a business is $1500 and the investment of the Proprietor is $15,000, the Proprietor has earned 10% upon his investment.

Profit on Sales. The percentage of profit upon the investment should not be confused with the percentage of profit upon the sales. The percentage of profit upon the sales may be obtained by dividing the net operating profit of the period by the volume of sales for the period. The comparison of the net operating profit of a period and the sales implies that the income received from the sale of articles is divisible into three primary divisions, — a return of the cost of the article, a return of a proper share of operating expenses, and a return of a fair profit. Stating the problem conversely, the sales price of an article may be determined by considering three factors, — the cost of the article, the cost of doing business, and the net profit desired.

Cost of Article. The cost price of an article sold at retail or wholesale consists of the invoice cost plus the freight or express and cartage, and a share of the expenses of any other departments concerned directly with the purchase of merchandise.

Cost of Doing Business. The cost of doing business includes all expenses incurred in operating a business, and is usually expressed as a percentage. This percentage is obtained by dividing the operating expenses by the gross sales. To illustrate, the gross sales of a firm for a year may be $30,000, and the operating expenses $6000. The percentage cost of doing business is therefore $6000 divided by $30,000, or 20%. It may be desired to divide the cost of doing business between trading and administrative expenses, in which case the totals of the several expenses under those headings would be divided by the gross sales.

Net Profit. The net profit is the amount which a merchant desires to gain by selling an article, and is usually referred to in terms of percentage. To illustrate, a merchant may say he desires to make 10% profit, which means that the selling price of an article should be such an amount as will yield this percentage of profit after deducting the cost price of the article plus the cost of doing business.

Finding the Selling Price. To find the selling price which will return the desired net profit, subtract the sum of the percentages of the cost of doing business and the desired net profit from 100%. Divide the cost price of the article by the resulting percentage. To illustrate, assume that a shoe merchant finds that the cost of doing business is 20%, and he desires a net profit of 10%. The sum of these two percentages, or 30%, subtracted from 100% gives 70%. Assuming that the cost of a pair of shoes is \$3.50, the sales price is found by dividing \$3.50 by 70%, which gives \$5.

The gross profit is the difference between the selling price of an article and the cost price, and consists of two elements, — the cost of doing business and the net profit. For example, in the above illustration the gross profit percentage is 30, while the amount of gross profit is \$1.50.

The comparison of sales, cost of goods sold, total costs of doing business, and profits for successive periods is of the greatest use in determining future administrative policies. Both the amounts and the percentages of these items may be used for comparative purposes.

The following exercise is suggested as drill in the topics discussed above.

Exercise 74. The Use of Percentages

1. If Sloane & Nelson have found the cost of doing business to be 23% and they desire a net profit of 10%, what should be the selling price of a suit of clothes costing \$13.40?

2. The merchandise which Sloane & Nelson sold for \$4125 during January cost \$2775. What was the percentage of gross profit?

3. The total operating expenses of Sloane & Nelson for January were \$1229.35; \$1087.85 charged to *Trading* and \$141.50 to *Administration.*

a. What was the percentage cost of doing business?

b. What was the percentage cost of trading expense?

c. What was the percentage cost of administration expense?

4. On sales amounting to \$4125, Sloane & Nelson made a net operating profit of \$120.65. What was the percentage of net operating profit?

5. Would the percentages which have been obtained in the preceding problems warrant increasing the selling price of articles or reducing the operating expenses? Assume that the cost of doing business should be about 23%, and that a profit of 10% is desired.

The following review exercises are suggested.

Exercise 75. Review

1. On the books of a retail grocer the following accounts appear with their balances as stated:

Delivery Truck, Dr.	$850
Reserve for Depreciation, Delivery Truck, Cr.	750

a. Give the entries recording the purchase of a new truck for $850, assuming that the old truck was sold for $100 cash.

b. What would be the entries if the new truck cost $1000?

2. C. E. Andrews sold a machine on Feb. 1 for $2225 cash. His ledger shows that the machine was purchased on July 1 of the previous year for $2400, and that depreciation has been recorded monthly at the rate of 12½% per year.

a. Give the balance of the *Reserve for Depreciation* account on Feb. 1.

b. Give the entry to record the sale of the machine.

3. Compile the financial statement from the data given in Exercise 71, problem 4, page 335.

4. The following accounts appear upon the ledger of J. A. Bancroft after the books have been closed on March 31, 19—. Make the financial statement for this date.

J. A. Bancroft, Investment	$29534
Cash	545
Accounts Receivable	4326
Accounts Payable	3743
Mdse. Inventory, March 31	23781
Store Furniture and Furnishings	4725
Office Furniture and Furnishings	500
Reserve for Depreciation, Store Furniture and Furnishings	500
Reserve for Depreciation, Office Furniture and Furnishings	100

CHAPTER XXIX

THE CLASSIFICATION OF ACCOUNTS

A classification of accounts is the basis of a bookkeeping system and is a list of the accounts of a business grouped according to kind of asset, liability, proprietary interest, income, and expense. The classification should contain the names of all the accounts used to record transactions occurring in the regular routine of business and also those which are necessary in order to close the books at the end of each fiscal period. The classification of accounts is often called the chart of accounts or the manual of accounts.

In an earlier portion of the text (page 254) the five primary divisions of accounts — assets, liabilities, proprietary interest, income, and expense — were defined and illustrated.

Assets. Assets may be divided into the following classes: current, fixed, intangible, accrued, and deferred.

Current Assets. Current assets are those which are cash or may be converted readily into cash, such as *Cash*, *Notes Receivable*, and *Accounts Receivable*. Merchandise is generally referred to as a current asset, although it is sometimes called a trading asset.

The valuation account, *Reserve for Bad Debts*, generally appears immediately after the *Accounts Receivable* account in a classification. The *Reserve for Bad Debts* account represents deductions to be made from the book value of *Accounts Receivable*.

Fixed Assets. Fixed assets are those representing more permanent investments, such as *Real Estate*, *Building and Fixtures*, and *Store Furniture and Furnishings*.

The reserve for depreciation accounts with the several fixed assets usually follow the respective asset accounts in a classification. They are valuation accounts, representing deductions to be made from the book values of the respective asset accounts.

Intangible Assets. Intangible assets are those which represent such values as *Good Will*, *Franchises*, *Patent Rights*, and *Copyrights*. The nature of intangible assets warrants their separation from the other divisions of assets.

Accrued Assets. Accrued assets are those which represent anticipated income accounts. The amounts recorded in such accounts are earned

during past periods, although payment is not actually received at the date of closing the books. Some examples are *Accrued Interest on Notes Receivable* and *Rents Receivable Accrued.*

Deferred Assets. Deferred assets are those which represent prepaid expense accounts. They consist of those expenses incurred but not consumed during a fiscal period, and so indicate the amounts which remain to be distributed over succeeding periods. Examples are *Unexpired Insurance*, *Unexpired Rent*, and *Fuel on Hand.*

Liabilities. The liabilities may be divided into the following classes: current, accrued, and contingent.

Current Liabilities. Current liabilities are those accounts upon which payment may be demanded first, such as *Notes Payable* and *Accounts Payable.*

Accrued Liabilities. Accrued liabilities are accounts which represent expenses incurred but not paid during a fiscal period. The period receiving the benefit of the expense, regardless of the time in which payment is made, should be charged with the expense. Examples are *Accrued Salaries*, *Accrued Interest on Notes Payable*, and *Accrued Taxes.*

Contingent Liabilities. Contingent liabilities are those which will have to be paid under certain conditions. For example, *Notes Receivable Discounted* is a liability contingent upon the makers or the indorsers of notes not paying discounted notes at maturity.

Proprietary Interest. The proprietary-interest accounts of an individual proprietor and partnerships may be divided into the following classes: investment, drawing, revenue, and profit and loss suspense accounts.

Investment Accounts. Investment accounts are those which record the investment of the proprietor or partners. Examples are the accounts with *J. F. Sloane*, *Investment*, and *F. B. Nelson*, *Investment*, used in Set VII.

Drawing Accounts. These represent the temporary debits and the credits made to the partners' accounts. Examples are the accounts with *J. F. Sloane*, *Drawing*, and *F. B. Nelson*, *Drawing*, used in Set VII.

Revenue Accounts. Revenue accounts are those summary profit and loss accounts which group the income and the expense of a business by part or by division. Examples are *Trading* and *Administration.*

Profit and Loss Suspense Accounts. These are temporary accounts which may appear upon the ledger either as a profit or a loss. An example is *Cash Over and Under*, which is generally used to record the amount of cash over or under the sum which should be on hand at the close of each day. At the end of fiscal periods the balance of

the *Cash Over and Under* account, which ordinarily is a small amount, is frequently closed into the *Appropriation* account.

Other temporary accounts are often included in a classification under the heading *Suspense.*

Income Accounts. These may be divided into two general groups: operating income and nonoperating income.

Operating Income Accounts. Operating income accounts record the volume of receipts derived from the trading operations of the business. The *Merchandise Sales* account or the departmental sales accounts are typical operating income accounts.

Nonoperating Income Accounts. Nonoperating income accounts record the income from operations not directly concerned with the primary purpose for which the business was established. For example, income received from purely financial transactions of the business should be separated from operating income. Typical nonoperating income accounts are *Interest Earned* and *Merchandise Discount on Purchases.*

Expense Accounts. This division may be subdivided into two general groups: operating expenses and nonoperating expenses.

Operating Expenses. Operating expenses are those incurred with the object of earning an operating income, and so record the amounts expended in running an enterprise. Typical of such expenses are those incurred for purchasing merchandise, for selling merchandise, and for the administration of the business as a whole.

Nonoperating Expenses. Nonoperating expenses are those expenses made for, or losses suffered by, operations not directly concerned with the primary purpose for which the business was established. For example, expenses incurred for purely financial purposes within the business should be separated from operating expenses. Typical nonoperating expense accounts are *Interest Paid* and *Merchandise Discount on Sales.*

NOTE. The various classes of the five primary divisions of accounts, — assets, liabilities, proprietary interest, income, and expense, — as given in this chapter, furnish the basis for designing a classification of accounts for a business. The individual accounts within the classes should meet the needs of the business in question, and so it is to be expected that the accounts kept would vary according to the nature of the business. In some cases the conditions may demand additional classes.

The names given accounts should so clearly indicate the nature of the data recorded thereunder that no questions regarding the meaning of the accounts would be necessary. The number of words to use in the names of accounts is not limited.

Exercise 76 is suggested as a drill in the classification of accounts.

Exercise 76. Classification of Accounts

1. Classify the following accounts of W. A. Mead; a merchant, according to kind of asset, liability, proprietary interest, income, or expense:

Accounts Payable
Accounts Receivable
Accrued Interest on Notes Receivable
Accrued Salaries
Administration
Advertising
Appropriation
Building and Fixtures
Cash
Delivery Charges
Financial Income and Expense
General Office Expenses
Good Will
Interest Earned
Insurance
Merchandise Discount on Purchases
Merchandise Inventory
Merchandise Purchases
Merchandise Sales
Notes Payable
Notes Receivable
Office Salaries
Depreciation, Building and Fixtures
Real Estate
Reserve for Depreciation, Building and Fixtures
Salesmen's Salaries
Stationery and Office Supplies, Unused
Stationery and Office Supplies, Used
Trading
Unexpired Insurance
W. A. Mead, Investment

2. The following accounts are taken from the ledger of Gage & Read, retail shoe merchants. Classify them, and group them according to kind of asset, liability, proprietary interest, income, or expense:

Merchandise Inventory
Merchandise Purchases
Merchandise Sales
Notes Receivable
Notes Payable
Salesmen's Salaries
Store Furniture
Rent
Merchandise Discount on Purchases
Repairs to Store Furniture
Trading
Administration
Financial Income and Expense
Interest Paid
Interest Earned
Notes Receivable Discounted
Accounts Receivable
Accounts Payable
Appropriation
Office Salaries
F. A. Gage, Investment
F. A. Gage, Drawing
W. B. Read, Investment
W. B. Read, Drawing
Unexpired Rent
Accrued Interest on Notes Payable
General Office Expense
Taxes
Accrued Taxes
Cash
Cash Over and Under
Depreciation, Store Furniture
Reserve for Depreciation, Store Furniture

3. Classify the accounts of Set VII, as given on pages 347 and 348, according to kind of asset, liability, proprietary interest, income, or expense.

CHAPTER XXX

REVENUE ACCOUNTS AND OPERATING STATEMENT OF A DEPARTMENTAL TRADING BUSINESS

Departmental Revenue Accounts. In many mercantile lines the goods handled are divided into departments according to the nature of the commodity. In such cases the revenue accounts and the operating statement should set forth the profit of each department separately, so that the management may know exactly which departments are profitable. Such information enables the executive to push the sale of the more profitable lines, to study why the other lines are less profitable, and either to discontinue them altogether or to apply such measures as will place them upon a profit-producing basis. This principle of departmentalization is applicable also to many other lines of business endeavor. To illustrate, a merchant may sell a certain product and also do repair work, and if he is to know which branch of his business is returning the larger profit, separate revenue accounts must be kept with each department; a garage may sell automobiles, automobile supplies and accessories, do repair work, and run a taxicab line, and unless departmental revenue accounts are kept, some departments may be returning exceptionally large profits while others are being operated at a loss.

For determining and recording the gross profits of the departments of a business from the ledger accounts, separate revenue accounts are opened with each department, and the gross profit from each is transferred to the *Trading* account.

The *Trading*, *Administration*, *Financial Income and Expense*, and *Appropriation* revenue accounts are compiled according to the same principles as if the business were conducted as a single department, and the operating statement retains the same basic form.

Distributing the Expenses. Under this method it is necessary to distribute both the trading and the administration expenses over the departments before the net operating profits from each department are obtained. The distribution of these charges is a most important subject in the study of cost accounting. Among the bases used for distributing these charges over the departments are floor-space area, departmental sales, amount of stock, number of clerks, etc.

The accounts appearing upon the ledger of the Hamilton & Taylor Book and Supply Store, dealers in books and general supplies for students, are taken as the basis for illustrating the methods of compiling departmental revenue accounts and the operating statement. The trial balance of the firm for the year ending Dec. 31, 19—, is as follows:

Cash	$2000	
Accounts Receivable	2600	
Inventories, Jan. 1:		
Books	16000	
General Mdse.	15500	
Real Estate	7500	
Building and Fixtures	20000	
Furniture and Furnishings	4000	
Unexpired Insurance	900	
Notes Payable		$3000
Accounts Payable		6230
Hamilton, Investment		25000
Taylor, Investment		25000
Book Sales		55000
General Mdse. Sales		34300
Mdse. Discount on Purchases		1000
Book Purchases	44000	
General Mdse. Purchases	24500	
Heat	350	
Electricity	300	
Advertising	1000	
Janitor Service	600	
Salesmen's Salaries	6600	
Sundry Sales Expense	100	
Repairs to Building and Fixtures	500	
Salaries, Office	2400	
Sundry Office Expense	330	
Interest Paid	50	
Mdse. Discount on Sales	300	
	$149530	$149530

NOTATIONS:

Reserve 2½% for depreciation on building and fixtures.
Reserve 5% for depreciation on furniture and furnishings.
The taxes for the year are estimated at $500.
Insurance for the year, $300.
Inventories, Dec. 31:

Books	$18000
General Mdse.	14000

The journal entries to record the charges for depreciation, taxes, and insurance are as follows:

Depreciation	700	
Reserve for Depreciation, Building and Fixtures		500
Reserve for Depreciation, Furniture and Furnishings		200
To reserve 2½% depreciation on building and fixtures, and 5% on furniture and furnishings.		
Taxes	500	
Accrued Taxes		500
To debit the year with the estimated amount of taxes.		
Insurance	300	
Unexpired Insurance		300
To debit the year with the amount of expired insurance.		

Separate departmental revenue accounts are then compiled as follows:

Book Purchases	16000	
Book Inventory		16000
To transfer the inventory of Jan. 1 to the *Book Purchases* account.		
Book Inventory	18000	
Book Purchases		18000
To record the book inventory and to credit the *Book Purchases* account for the books remaining unsold on Dec. 31.		
Books	42000	
Book Purchases		42000
To close the balance of the *Book Purchases* account, the cost of the books sold, into the *Books* revenue account.		
Book Sales	55000	
Books		55000
To close the *Book Sales* account into the *Books* revenue account.		

When the entries are posted, the *Books* revenue account appears as follows:

Books

19—					19—			
Dec.	31	J.	42000		Dec.	31	J.	55000

The balance of $13,000 is the gross profit on books sold, and is transferred to the *Trading* account by the journal entry:

Books	13000	
Trading		13000
To transfer the balance of the *Books* revenue account, representing the gross profit on books sold, to the *Trading* account.		

In a similar manner the revenue account with *General Merchandise* is opened to determine the gross profit of this department, and the amount is transferred to the *Trading* account. The gross profit of this department is $8300.

After the gross departmental profits are ascertained and closed into the *Trading* account, the nominal accounts are closed into the appropriate revenue accounts. The following entries indicate those necessary to place the proper revenue accounts upon the ledger of Hamilton & Taylor:

Trading	10950	
Heat		350
Electricity		300
Advertising		1000
Janitor Service		600
Salesmen's Salaries		6600
Sundry Sales Expense		100
Repairs to Building and Fixtures		500
Depreciation		700
Taxes		500
Insurance		300
To close these accounts into the *Trading* account.		

Trading	10350	
Administration		10350
To transfer the trading profit to the *Administration* account.		
Administration	2730	
Salaries, Office		2400
Sundry Office Expense		330
To close these accounts into the *Administration* account.		
Administration	7620	
Appropriation		7620
To transfer the operating profit to the *Appropriation* account.		
Mdse. Discount on Purchases	1000	
Financial Income and Expense		1000
To close this financial income account.		
Financial Income and Expense	350	
Interest Paid		50
Mdse. Discount on Sales		300
To close these financial expense accounts.		
Financial Income and Expense	650	
Appropriation		650
To transfer the net financial profit to the *Appropriation* account.		

The balance of the *Appropriation* account, $8270, shows the net profit available for equal division between Hamilton and Taylor. The journal entry to record this division is as follows:

Appropriation	8270	
B. L. Hamilton, Drawing		4135
G. T. Taylor, Drawing		4135
To divide the net profits between the partners.		

NOTE. If the *Trading* account shows a debit balance, the entry is to credit the *Trading* account and to debit the *Administration* account. When the *Administration* account and the *Financial Income and Expense* account have debit balances, the entries given above transferring the balances to the *Appropriation* account are reversed. If the *Appropriation* account shows a net loss, the entry given above to divide the balance of this account between the partners is reversed.

The operating statement for Hamilton & Taylor appears as follows:

Hamilton & Taylor Book and Supply Store

OPERATING STATEMENT

For the year ending December 31, 19—

Book Sales		$55000	
Book Inventory, Jan. 1	$16000		
Book Purchases	44000		
	$60000		
Inventory, Dec. 31	18000		
Cost of books sold		42000	
Gross profit on book sales			$13000
General Mdse. Sales		$34300	
General Mdse. Inventory, Jan. 1	$15500		
General Mdse. Purchases	24500		
	$40000		
Inventory, Dec. 31	14000		
Cost of general mdse. sold		26000	
Gross profit on general mdse. sales			8300
Total gross profit			$21300
Trading expenses:			
Heat		$350	
Electricity		300	
Advertising		1000	
Janitor Service		600	
Salesmen's Salaries		6600	
Sundry Sales Expense		100	
Repairs to Building and Fixtures		500	
Depreciation		700	
Taxes		500	
Insurance		300	10950
Trading profit			$10350
Administrative expenses:			
Salaries, Office		$2400	
Sundry Office Expense		330	2730
Net operating profit			$7620
Add: Financial Income			
Mdse. Discount on Purchases		$1000	
Deduct: Financial Expense			
Interest Paid	$50		
Mdse. Discount on Sales	300	350	650
Net profit for the year			$8270

It is recommended that Exercise 77 be used as drills in the compilation of revenue accounts for a departmental trading business.

Exercise 77. Departmental Revenue Accounts and Operating Statement

1. *a.* On sheets of ledger paper open the necessary accounts for recording the data in the trial balance (page 370) and in the closing entries. Post all entries to the ledger.

b. Prepare a financial statement from the ledger of Hamilton & Taylor.

2. The trial balance of Charles A. Horning, dealer in men's furnishings and shoes, on Dec. 31, 19—, is given below. Prepare from it the revenue accounts, the operating statement, and the financial statement. Open separate revenue accounts with each department in order to obtain the gross departmental profits.

Cash	$1750	
Accounts Receivable	3000	
Mdse. Inventories, Jan. 1:		
Furnishings	12550	
Shoes	4500	
Unexpired Insurance	200	
Notes Payable		$200
Accounts Payable		800
Charles A. Horning, Investment		14750
Furnishings Sales		32000
Shoes Sales		11000
Mdse. Discount on Purchases		750
Furnishings Purchases	21000	
Shoes Purchases	8000	
Rent Paid	1800	
Heat	300	
Light	200	
Advertising	800	
Salesmen's Salaries	2400	
General Sales Expense	200	
Office Salaries	2400	
Office Supplies	150	
Postage	50	
Sundry Office Expense	125	
Interest Paid	75	
	$59500	$59500

NOTATIONS:

Reserve 1% of sales for bad debts.
Taxes for the year are estimated at $100.
Insurance for the year, $100.
Inventories, Dec. 31:

Furnishings	$14000
Shoes	4100

CHAPTER XXXI

SET VIII. WHOLESALE DRY-GOODS BUSINESS

PRELIMINARY EXPLANATIONS

Object of the Set. The object of this set is to illustrate, as concisely as possible, a system of bookkeeping which, with slight modifications, may be adapted to the general routine of a wholesale or a jobbing house. The dry-goods business is selected as an illustration, and it is divided, for the purpose of practice work in the use of departmental accounts, into three operating departments: piece goods, notions and trimmings, and furnishings. The principles underlying the general use of mercantile departmental accounts are the same, regardless of the business or the number of departments. No attempt is made to enter into an explanation of the minor details of bookkeeping, which are different in all large wholesale houses. The mastery of this set implies the ability to adapt the principles illustrated to any departmental business.

Cash Received

Date		F.	Account Credited	Explanation	Net Cash		Disc. on Sales		Accounts Receivable		General	
Nov.	19	✓	Balance	Cash on deposit	4957	81					4957	81
	20	21	F. Cole	In full, less 3%	722	65	22	35	745	00		
	24	16	J. H. Martin	On account	900	00			900	00		
	26	1	Notes Receivable	B. W. Harmon's note	350	00					350	00
	26	12	Interest Earned	On above note	1	75					1	75
	26	18	C. B. Gray	Inv. 11/16, less 2%	480	46	9	81	490	27		
	28	1	Notes Receivable	A. R. Daniel's note	500	00					500	00
	28	12	Interest Earned	On above note	2	50					2	50
	29	20	Green & Co.	On account	750	00			750	00		
	29	19	D. M. Snow	Inv. 11/14, less 2%	490	00	10	00	500	00		
					9155	17	42	16	3385	27	5812	06
Dec.	1	✓	Balance		(1) 752	04	(17)		(1)		752	04

LEFT-HAND PAGE OF CASHBOOK, SET VIII

Books Used. The following books are used: the cashbook, the petty cashbook, the sales book, the purchase book, the journal, the general ledger, the customers' ledger, the creditors' ledger, and the notebook.

Cashbook. The cashbook used in this set is illustrated below. It is used in exactly the same way as the cashbook in Set VI.

NOTE. Attention is again called to the fact that this is a self-balancing cashbook, as the sum of the first and second columns on either side should equal the sum of the third and fourth columns.

The cash balance carried forward for a succeeding month must be used in proving cash, but it must not be used in footing either the *Net Cash* or the *General* columns.

Petty Cashbook. The petty cashbook is used in this set as a book of original entry. The following model illustrates the use of this book.

Nov.	20	✓	Withdrew for fund		50			
	21	15	Sundry Office Expense	Telegram to Mr. Hunter				75
	22	15	Sundry Office Expense	Donation to Convention Fund			7	50
	24	14	Repairs to Building and Fix.	J. Barnes, carpenter work			8	50
	25	13	Cartage Outward	Delivering G. Holden's order			2	
	29	14	Sundry Sales Dept. Expense	R. Samuels, janitor work			8	
	29		Total disbursements for month				26	75
	30		*Balance*				*23*	*25*
					50		50	
Dec.	1	✓	Balance		23	25		

PETTY CASHBOOK, SET VIII

Cash Paid

Date		F.	Account Debited	Explanation	Net Cash		Disc. on Purchases		Accounts Payable		General	
Nov.	19	1	Petty Cash	For petty-cash fund	50	00					50	00
	20	4	Fuel on hand	Coal bought from Jackson	75	00					75	00
	20	32	Mason & Co.	Inv. 11/16, less 2%	1960	00	40	00	2000	00		
	21	33	Ely & Co.	Inv. 11/19, less 2%	1862	00	38	00	1900	00		
	22	14	Office Salaries	For two weeks	80	00					80	00
	22	13	Sales Dept. Salaries	For two weeks	200	00					200	00
	22	13	Traveling Salesman's Sal.	W. Conway	45	00					45	00
	24	5	Notes Payable	Favor S. Lake	1200	00					1200	00
	24	17	Interest Paid	On above note	12	00					12	00
	25	35	May & Co.	Inv. 11/18, less 4%	1440	00	60	00	1500	00		
	26	34	Low & Co.	On account	500	00			500	00		
	28	12	Piece Goods Purchases	Freight and Cartage	45	60					45	60
	28	12	Notions and Trim. Pur.	Freight and Cartage	10	50					10	50
	28	12	Furnishings Purchases	Freight and Cartage	15	70					15	70
	28	13	Cartage Outward	Cartage	25	00					25	00
	29	37	Henry & Co.	In full	271	49			271	49		
	29	35	J. B. Miller & Co.	Inv. 11/20, less 3%	610	84	18	89	629	73		
					8403	13	156	89	6801	22	1758	80
					(1)		(12)		(3)			

RIGHT-HAND PAGE OF CASHBOOK, SET VIII

The petty-cash fund is provided for paying the small expenses that are incurred in business offices. Examples are postage, express, and telegrams. Receipts should be obtained for all petty-cash disbursements. In this set all disbursements other than petty-cash items are assumed to be paid by check.

The ruling of an ordinary journal page is a form of a petty cashbook. All receipts are to be placed in the first money column, and all payments are to be placed in the second money column. If the volume of transactions warrants, special columns may be provided for the accounts of most frequent occurrence, and only the totals posted.

Sales Book. The sales book used in this set is ruled to record the sales of the three merchandise departments, and is illustrated on the opposite page.

Attention is called to the fact that the total of the sale (the amount to be posted to the debit of the customer) is entered on the line below the last item of the order, in the *Total* column.

Purchase Book. The purchase book is ruled to provide for recording the purchases of the three merchandise departments and is illustrated on the opposite page. Since the details of the purchase invoices are not given in this illustrative set, the ruling differs slightly from that of the sales book.

Journal. The journal used in this set is illustrated on page 380.

The *Creditors' Ledger Debits* column should contain the amounts recorded in the journal which are to be posted separately to the creditors' accounts in the creditors' ledger, and the total of the column is posted to the debit of *Accounts Payable* in the general ledger.

The *General Ledger Debits* column contains all the items of debit in the journal except the creditors' ledger debits. The total is not posted.

The *Customers' Ledger Credits* column should contain the amounts recorded in the journal which are to be posted separately to the credit of the customers' accounts in the customers' ledger, and the total of the column is posted to the credit of *Accounts Receivable* in the general ledger.

The *General Ledger Credits* column contains all the items of credit in the journal except the customers' ledger credits. The total is not posted.

Ledgers. The rulings of the creditors' and customers' ledgers used in this set provide a balance column for inserting the amount of the balance of an account. The ruling is illustrated on page 381.

The customers' ledger is the same as the sales ledger used in previous sets, while the creditors' ledger corresponds to the purchase ledger.

Date	F.	Name, Address, Terms, and Details of Order		Items	Total	Piece Goods	Notions and Trimmings	Furnishings
Nov. 19	42	F. W. Laird, Utica, N.Y. Terms: 2/10, 1/30, net 60 da.						
		3 pc. (45, 52, 41) Amer. Black Dress Silk	1.25	172 50		172 50		
		5 pc. (42, 45, 52, 58, 61) Barjeon Cashmere	1.37½	354 75		354 75		
		4 pc. (45, 52, 61¼, 64¾) Serge Dress Goods	.75	167 25		167 25		
		10 doz. Spools Corticelli Silk	1.05	10 50			10 50	
		5 pc. Fancy Black Silk Ribbon	3.50	17 50			17 50	
		10 gro. Pearl Buttons	1.50	15 00			15 00	
		3 doz. Ladies' Fancy Collars	2.00	6 00				6 00
		4 doz. Ladies' Kid Gloves	12.00	48 00				48 00
					791 50			
	44	J. W. Barnes, Oneida, N.Y. Terms: 2/10, 1/30, net 60 da.						
		5 doz. Boys' Hose	1.25	6 25				6 25
		6 doz. Men's Hose	6.87½	41 25				41 25
		6 pc. (52, 41, 52, 48, 52, 51½) Taffeta Silk	1.00	296 25		296 25		
		10 doz. Spools Thompson's Thread	.50	5 00			5 00	
		4 pc. Marquise Lace	2.20	8 80			8 80	
		6 pc. (42, 41, 46, 50, 49, 48) Staple Gingham	.09	24 84		24 84		
					382 39			
					1173 89	1015 59	56 80	101 50
					(1)	(8)	(8)	(8)

SALES BOOK, SET VIII

Date	F.	Name of Creditor	Address	Terms	Total	Piece Goods	Notions and Trimmings	Furnishings
Nov. 19	30	B. N. Ward & Co.	New York City	3/10, 1/30, net 60 da.	898 22	759 25	138 97	
21	31	C. B. Ashum & Co.	Boston, Mass.	2/10, net 30 da.	670 35			670 35
22	30	W. A. Brownson	Buffalo, N.Y.	2/10, 1/30, net 60 da.	489 93	489 93		
22	29	Morrison Mfg. Co.	Philadelphia, Pa.	2/10, net 60 da.	347 64		347 64	
					2406 14	1249 18	486 61	670 35
					(4)	(10)	(10)	(10)

PURCHASE BOOK, SET VIII

Date	F.	Entry and Explanation	Creditors' Ledger Debits	General Ledger Debits	Customers' Ledger Credits	General Ledger Credits
		July 1, 19—				
		The partnership of				
		Kinney & Martin				
		this day opens a new set of books.				
		The financial statement of the firm, on this date, taken from General Ledger A, examined, approved, and accepted by each partner as revealing the financial status of the partnership, is as follows:				
		Cash		1742 18		
		Notes Receivable		2850		
		Accounts Receivable		7194 86		
		Reserve for Bad Debts				200 55
		Mdse. Inventories:				
		Men's Shoes		19721 69		
		Women's Shoes		12457 15		
		Children's Shoes		6871 34		
		Sales Department Furniture and Furnishings		1500		
		Office Furniture and Furnishings		300		
		Accrued Interest on Notes Receivable		5 50		
		Unexpired Rent		250		
		Unexpired Insurance		185		
		Notes Payable				4000
		Accounts Payable				8427 82
		Accrued Interest on Notes Payable				10
		B. A. Kinney, Investment				20000
		B. A. Kinney, Drawing				140 46
		W. L. Martin, Investment				20000
		W. L. Martin, Drawing				298 89
July	5	Women's Shoe Sales		49 25		
		Meade & Co.			49 25	
		Portion of shipment of July 1 returned to us.				
	12	Warner & Co.	31 75			
		Men's Shoe Purchases				31 75
		Portion of invoice dated July 2 returned to them on account of poor leather.				
	14	Notes Receivable		300		
		A. Barton			300	
		Thirty-day note with interest at 6% in full of account.				

MODEL JOURNAL, SET VIII

James A. Law

Date			F.	Debits		Credits		Balance	
19—									
Nov.	19	per Customers' Ledger A		400					
	22	S.B.	2	541	78			941	78
	24	C.B.	8			400		541	78
	27	S.B.	6	58	27			600	05
Dec.	3	C.B.	10			541	78	58	27

MODEL CUSTOMERS' AND CREDITORS' LEDGER, SET VIII

Price Lists. Details of purchases for each department are not stated, but totals only are given. The items of each sales order are given, and the extensions and the totals must be ascertained by the student. The merchandise items handled in this set are listed alphabetically by departments. The selling price list is given below:

PRICE LIST, SET VIII

PIECE GOODS

GOODS	UNIT	SELLING PRICE
American Black Dress Silk	yd.	$1.25
American Print	yd.	.08½
Amazon Cloth	yd.	1.25
Barjeon Cashmere	yd.	1.37½
Bengaline Silk	yd.	1.10
Black English Camel's Hair	yd.	1.87½
Calais Gingham	yd.	.12½
Cotton Surah Lining	yd.	.62
Denim	yd.	.17
Fancy Wool Cheviot	yd.	1.35
Fancy Plaids	yd.	.41
Fine English Serge	yd.	1.55
Fruit Bleach	yd.	.10½
Lining Cambric	yd.	.05½
Lonsdale Cambric	yd.	.14
Percale Shirting	yd.	.09
Scotch Cheviot	yd.	.50
Serge Dress Goods	yd.	.75
Simpson Mourning Print	yd.	.07
Staple Gingham	yd.	.09
Suiting	yd.	.30
Taffeta Silk	yd.	1.

PRICE LIST, SET VIII (CONTINUED)

NOTIONS AND TRIMMINGS

GOODS	UNIT	SELLING PRICE
Bone Buttons	gro.	$0.14
Black Chantilly Lace	pc.	.90
Combs	doz.	2.25
Corticelli Silk	doz. spools	1.05
Darning Cotton	box	.25
Duchesse Lace	pc.	3.
Fancy Black Ribbon	pc.	3.50
Gilt Buttons	gro.	2.25
Grosgrain Ribbon	pc.	1.50
Hair Pins	doz.	.45
Jet Buttons	gro.	3.
Linen Torchon Lace	doz. pc.	1.10
Marquise Lace	pc.	2.20
Mercerized Crochet	box	1.04
Pearl Buttons	gro.	1.50
Thimbles	doz.	.35
Thompson Thread	doz. spools	.50
Velvet Ribbon	pc.	$2.87\frac{1}{2}$
White Tape	box	.65

FURNISHINGS

GOODS	UNIT	SELLING PRICE
Belts	doz.	$4.50
Boys' Hose	doz.	1.25
Handkerchiefs	doz.	1.
Ladies' Fancy Collars	doz.	2.
Ladies' Hose	doz.	3.50
Ladies' Kid Gloves	doz.	12.
Jumpers	doz.	6.
Men's Collars	doz.	1.10
Men's Kid Gloves	doz.	12.
Men's Hose	doz.	$6.87\frac{1}{2}$
Mittens	doz.	4.50
Neckwear	doz.	4.50
Overalls	doz.	6.
Shirts	doz.	14.50
Suspenders	doz.	4.50

WORK FOR NOVEMBER

Preliminary Work. In this set the student will act as bookkeeper and confidential clerk for the wholesale dry-goods house of Morley & Mills, located at 624 North Ave., City.

The members of the firm are A. J. Morley and D. O. Mills. The accounting clauses in their partnership agreement are as follows:

1. The capital of the firm is to be $75,000. A. J. Morley is to contribute $50,000, and D. O. Mills is to contribute $25,000.
2. Proper books of account are to be kept at the place of business.
3. Separate investment and drawing accounts are to be kept for each partner. The credit balance of the *Drawing* account of each partner may be withdrawn in cash.
4. Each partner is to receive a salary of $50 per week, payable in cash. Partners' salaries are to be charged as operating expenses of the business.
5. Interest on investments is to be calculated at the rate of 6% per annum.
6. Profits and losses are to be divided equally between the partners.
7. Operating and financial statements are to be prepared whenever the books are closed, which shall be at least once every six months.

Assuming Charge of a Set of Books. The student should bear in mind that he is not opening a set of books, but that he is taking up the work where another left it.

The following instructions should be carried out when assuming charge of a set of books:

1. Verify the check-book balance and the monthly bank statement or bank pass-book balance. The form of a cash reconciliation statement is as follows:

Balance, per bank statement		$1000
Deduct checks outstanding:		
No. 748 Chas. Bowen	$150	
No. 752 Fred Kramer	100	
No. 759 B. K. Barnes	250	500
Balance, per check book		$500

If a cash reconciliation has been made by the retiring bookkeeper, the statement should be checked.

2. Count the cash on hand.
3. Determine the balance of the cashbook.
4. If it checks with the amount of cash on hand and on deposit, balance the cashbook and post the items that are not already on the ledgers.

5. If it does not prove, determine the date on which it did prove, and trace the errors if you can. If unable to find the errors, report to your employers and proceed as instructed by them.

6. Post all the books to date, and take a trial balance from the general ledger. If unable to get a trial balance, find the last trial balance and compare it with the ledger items of that date. If there are no discrepancies on that sheet, proceed to trace the posting to the general ledger since the date of that trial balance. Report errors and discrepancies to your employers and proceed as instructed by them.

7. In like manner test the correctness of the customers' ledger and the creditors' ledger. If there are any errors, try to locate them.

Opening the Set. After inspecting the books of your firm, you find that everything is correct.

Your firm has decided to open new books. Morley & Mills follow the general business practice of depositing daily all money received, and of making by check all payments above $10. Disbursements under $10 should be paid from the petty-cash fund, and all other disbursements should be considered as paid by check.

The following classification of accounts is designed for the use of Morley & Mills. With the exceptions hereafter noted, open accounts in the order indicated. Allow one fifth of a page for each account.

ASSETS

Current:
- Cash
- Petty Cash
- Trade Acceptances Receivable
- Notes Receivable
- Accounts Receivable
  - Reserve for Bad Debts (valuation account)
- Merchandise Inventory:
  - Piece Goods Inventory
  - Notions and Trimmings Inventory
  - Furnishings Inventory

Fixed:
- Real Estate
- Building and Fixtures
  - Reserve for Depreciation, Building and Fixtures (valuation account)

Sales Department Furniture and Furnishings
Reserve for Depreciation, Sales Department Furniture and Furnishings (valuation account)
Office Furniture and Furnishings
Reserve for Depreciation, Office Furniture and Furnishings (valuation account)

Accrued:
Accrued Interest on Notes Receivable

Deferred:
Unexpired Insurance
Stationery and Office Supplies, Unused
Fuel on hand

LIABILITIES

Current:
Trade Acceptances Payable
Notes Payable
Accounts Payable

Accrued:
Accrued Interest on Notes Payable
Accrued Expense

Contingent:
Notes Receivable Discounted

PROPRIETARY INTEREST

A. J. Morley:
A. J. Morley, Investment
A. J. Morley, Drawing

D. O. Mills:
D. O. Mills, Investment
D. O. Mills, Drawing

Revenue Accounts:
Departmental:
Piece Goods
Notions and Trimmings
Furnishings
Trading
Administration
Financial Income and Expense
Appropriation

Profit and Loss Suspense Accounts:
Cash Over and Under

INCOME

Operating:
- Merchandise Sales:
  - Piece Goods Sales
  - Notions and Trimmings Sales
  - Furnishings Sales

Nonoperating:
- Interest Earned
- Merchandise Discount on Purchases

EXPENSE

Operating:
- Merchandise Purchases:
  - Piece Goods Purchases
  - Notions and Trimmings Purchases
  - Furnishings Purchases
- Trading:
  - Traveling Salesman's Salary
  - Traveling Salesman's Expenses
  - Sales Department Salaries
  - Cartage Outward
  - Heat
  - Light
  - Insurance
  - Depreciation of Building and Fixtures
  - Depreciation of Sales Department Furniture and Furnishings
  - Bad Debts
  - Repairs to Building and Fixtures
  - Sundry Sales Department Expense
- Administration:
  - Office Salaries
  - Stationery and Office Supplies, Used
  - Depreciation of Office Furniture and Furnishings
  - Sundry Office Expense

Nonoperating:
- Interest Paid
- Merchandise Discount on Sales
- Collection and Exchange

NOTE. The following headings used in the preceding classification merely serve to group the accounts given in the classification, and no accounts are opened under these names: Current, Merchandise Inventory, Fixed, Accrued, Deferred, Current, Accrued, Contingent, A. J. Morley, D. O. Mills, Revenue Accounts, Departmental, Profit and Loss Suspense Accounts, Operating, Merchandise Sales, Nonoperating, Operating, Merchandise Purchases, Trading, Administration, and Nonoperating.

MEMORANDA OF TRANSACTIONS FOR NOVEMBER

Wednesday, Nov. 19

Make a journal entry recording the accounts and the respective amounts of the financial statement, Nov. 19. Enter the amount of each item in the appropriate *General Ledger* column. The form is as follows:

Nov. 19, 19—

The partnership of

Morley & Mills

this day opens a new set of books.

The financial statement of the firm, on this date, taken from General Ledger A, examined, approved, and accepted by each partner as revealing the financial status of the partnership, is as follows:

	ASSETS		
Cash		$4834.44	
Notes Receivable		4102.50	
Accounts Receivable	$6119.10		
Less Reserve for Bad Debts	200.	5919.10	
Mdse. Inventories:			
Piece Goods		35871.48	
Notions and Trimmings		7889.25	
Furnishings		18632.23	
Real Estate		3000.	
Building and Fixtures		7000.	
Sales Dept. Furniture and Furnishings		2000.	
Office Furniture and Furnishings		250.	
Accrued Interest on Notes Receivable		10.25	
Unexpired Insurance		150.	
Stationery and Office Supplies, Unused		63.97	
Total Assets			$89723.22
	LIABILITIES		
Notes Payable		$4260.	
Accounts Payable		10302.22	
Accrued Interest on Notes Payable		8.	
Total Liabilities			$14570.22
	PROPRIETARY INTEREST		
A. J. Morley, Investment		50000.	
A. J. Morley, Drawing		62.50	
D. O. Mills, Investment		25000.	
D. O. Mills, Drawing		50.93	
Cash Over and Under		39.57	
Total Proprietary Interest			$75153.

NOTE. The words *Assets*, *Liabilities*, and *Proprietary Interest* should not appear in the journal, nor the totals of these three primary divisions of accounts.

Prepare an index for each ledger, allowing a full page for the general-ledger index and one-half page each for the customers' ledger and creditors' ledger.

An abstract of the customers' ledger, Nov. 19, 19—, shows the following balances:

	8	Baker, Shaw & Co., Clifton Springs	1250			
	5	C. D. Washburn, Bedford	300			
	7	F. M. Reed & Co., Batavia	363	47		
	8	B. N. Acker, Byron	307	44		
	9	Chas. H. Dean & Co., Northampton	490	25		
	10	F. O. Saunders, Sodus	275			
	12	Knowlton & Beach, Rome	363	47		
	16	J. V. Richardson & Co., Earlville	612	25		
	19	D. E. Mosher, Tonawanda	894	09		
	20	Eaton & Co., Williamson	540	71		
	21	Gardiner & Sprong, Rush	316	70		
	24	Fred S. Goodwin, Savannah	28	84		
	27	Green & Gregory, Clyde	376	88		
	1	*Balance* per Accts. Rec. in Gen. Ledger			*6119*	*10*
			6119	10	6119	10

Enter the above accounts in the customers' ledger, five accounts to the page. For the date and explanation write *Nov. 19, per Customers' Ledger A*, and give the page of the old customers' ledger indicated in the above abstract. Write the addresses of the firms in the ledger.

An abstract of the creditors' ledger, Nov. 19, 19—, shows the following balances:

	24	Jones, Taylor & Co., Boston			1807	33
	27	R. W. Wood & Co., New York			1556	14
	29	F. R. Stiles & Co., Boston			3030	
	34	Howell, Burns & Co., Chicago			2014	66
	35	Eclipse Mills, Little Falls			681	75
	36	Ely Manufacturing Co., Springfield			912	34
	43	Boyd, Cole & Co., Trenton			75	49
	45	Olson Mills, Akron			224	51
	4	*Balance* per Accts. Pay. in Gen. Ledger	*10302*	*22*		
			10302	22	10302	22

Enter the foregoing accounts in the creditors' ledger, five accounts to a page. For the date and the explanation write *Nov. 19, per Creditors' Ledger A*, and give the page of the old creditors' ledger indicated in the foregoing abstract. Write the addresses of the firms in the ledger.

The notebook previously used shows that the following notes are unpaid:

1. Note of J. E. King, dated Akron, Ohio, Oct. 24, payable at Alliance Bank, Akron, Ohio, drawn at 30 da., in favor of Morley & Mills, for $102.50.
2. Note of J. N. Smith & Co., dated City, Sept. 26, payable at The Union Bank, City, drawn at 60 da., with interest at 6%, in favor of Morley & Mills, for $500.
3. Note of C. W. Gray & Co., dated Bath, Oct. 27, payable at First National Bank of Bath, drawn at 30 da., with interest at 6%, in favor of Morley & Mills, for $1500.
4. Note of Jaggard & Co., dated Trenton, Oct. 29, payable at Merchants Bank, Trenton, drawn at 60 da., in favor of Morley & Mills, for $700.
5. Note of S. C. Williams, Warsaw, dated Nov. 3, payable at Commercial Bank, Warsaw, drawn at 30 da., in favor of Morley & Mills, for $1300.

Enter the above notes in the notebook.

The following outstanding notes are also shown in the notebook:

1. Note in favor of D. N. Snow & Co., dated Nov. 3, payable at The Union Bank, drawn at 30 da., with interest at 6%, by A. J. Morley and D. O. Mills, for $3000.
2. Note in favor of Jones Manufacturing Co., dated Oct. 31, payable at The Union Bank, drawn at 30 da., by A. J. Morley and D. O. Mills, for $1260.

Enter the above notes payable in the notebook.

Check carefully all the work in the new books. If everything is correct, hand them in for examination.

Daily Cash Statement. A daily statement may be made by the student for stating the cashbook balance and the petty-cash-fund balance. A model form is given below:

CASH PROOF

Total receipts per cashbook	.....
Total payments per cashbook	.....
Balance per cashbook	.....

PETTY CASH PROOF

Total receipts per petty cashbook	.....
Total payments per petty cashbook	.....
Balance per petty cashbook	.....

Thursday, Nov. 20

The account of Green & Gregory, Clyde, cannot be collected in full. They have effected a compromise with their creditors.

Receive of them a New York draft, in full of account to date, at the rate of 50¢ on the dollar, for $188.44.

Make the usual cashbook entry for the cash received.

Make a journal entry, closing the balance of the account with Green & Gregory into *Reserve for Bad Debts.*

The Citizens Carting Co. has delivered to you the goods ordered Nov. 14 of Jones, Taylor & Co., Boston. The invoice is dated Nov. 19. Terms: $500 cash; balance 60 da. net. Items are chargeable to departments as follows: piece goods, $1080.28; notions and trimmings, $168.75; furnishings, $93.75.

In recording invoices use the date of the invoice and not the date under which the student is working.

Remit to Jones, Taylor & Co. $500, in accordance with the above terms.

Receive of F. M. Reed & Co., Batavia, a New York draft, in full of account, less 2%, for $356.20.

Draw cash, for general office use, $50.

Make the proper entry in the cashbook and in the petty cashbook.

Pay George Ellis cash, for cleaning the store and the basement, $10.

Debit *Sundry Sales Department Expense* in the petty cashbook.

Friday, Nov. 21

Buy postage stamps for cash, $5.

Debit *Sundry Office Expense* in the petty cashbook.

The Citizens Carting Co. has delivered the goods ordered Nov. 15 of R. W. Wood & Co., New York. The invoice is dated Nov. 19. Terms: 3/15, net 30 da. Items are chargeable to departments as follows: piece goods, $1102.75; notions and trimmings, $543.29; furnishings, $631.71.

Remit to F. R. Stiles & Co., Boston, to apply on account, $630.

Pay F. M. Upton & Co.'s bill for coal, delivered to-day, $131.50.

Goods ordered Nov. 13 of the Hunting Mills, Detroit, have been received to-day. The invoice is dated Nov. 19. Terms: 3/10, 1/30, net 60 da. All items are chargeable to the piece-goods department, $1036.03.

Receive of Knowlton & Beach, Rome, their check, to apply on account, for $275.

Receive of Baker, Shaw & Co., Clifton Springs, their check, to balance the account, for $1250.

Receive of Fisher Bros., Tonawanda, a bill for 1 mahogany roll-top office desk, $125. Terms: cash. Pay the bill.

Debit *Office Furniture and Furnishings.*

Receive of D. E. Mosher, Tonawanda, a New York draft, to apply on account, for $125.

Goods ordered Nov. 18 of the Freeman Manufacturing Co., City, have been received. The invoice is dated Nov. 21. Terms: 2/10, net 30 da. All items are chargeable to the furnishings department, $362.50.

Receive of C. D. Washburn, Bedford, a check, to apply on account, for $56.25. He also orders (terms: 2/10, 1/30, net 60 da.):

3 pc. (42¼, 40, 52) Am. Black Dress Silk
2 pc. (47½, 48) Amazon Cloth
15 gro. Bone Buttons
15 doz. spools Corticelli Silk
25 pc. Fancy Black Ribbon
25 doz. Boys' Hose

The grouping of the merchandise items in the different departments is given on pages 381–382.

Post all entries to appropriate ledgers.

Submit all books to the instructor for approval.

Saturday, Nov. 22

The following orders were received in this morning's mail:

1. From F. O. Saunders, Sodus:

5 doz. Ladies' Kid Gloves
15 doz. pc. L. Torchon Lace
5 pc. (54¼, 50, 47½, 48, 49) Denim
2 pc. (50½, 42) Taffeta Silk
5 doz. Men's Hose

2. From Eaton & Co., Williamson:

9 boxes Mercerized Crochet
5 pc. Velvet Ribbon
4 pc. (52, 60, 49½, 50) Simpson Mourning Print
5 doz. Men's Kid Gloves
5 pc. (42, 47, 52, 54, 49) P. Shirting

3. From Gardiner & Sprong, Rush:

5 pc. Duchesse Lace
5 doz. Men's Kid Gloves
5 doz. spools Thompson Thread
2 doz. Shirts
3 pc. (47, 52, 45) S. Cheviot
2 pc. (49½, 47¾) Barjeon Cashmere
2 pc. (51¼, 52) Fine English Serge
4 doz. Ladies' Hose

Fill each order. Terms: 2/10, 1/30, net 60 da. With the Gardiner & Sprong order there was a check for $100, to apply on account.

Goods ordered Nov. 17 of the Ely Manufacturing Co., Springfield, have been delivered by the Citizens Carting Co. The invoice is dated Nov. 21. Terms: 3/10, net 30 da. All the items are chargeable to the furnishings department, $433.

Pay the bill of the Citizens Carting Co., for freight and cartage to date, $169.54.

Debit *Piece Goods Purchases*, $97.29; *Notions and Trimmings Purchases*, $23.20; *Furnishings Purchases*, $42.55; *Cartage Outward*, $6.50.

The departmental freight charges are usually ascertained directly from the freight bills; the cartage charges may be prorated according to the weights or the values of the goods purchased.

Pay the following salaries for the week: Office Salaries, $65; Sales Department Salaries, $150. Partners' salaries are included in these amounts.

Send William J. Tenny, Albany, the traveling salesman, a remittance in payment of his November salary, $140. He is to start Monday on a week's vacation.

Receive of B. N. Acker, Byron, a New York draft, to apply on account, for $100.

Receive of J. V. Richardson & Co., Earlville, their check, to apply on account, for $150.

They also order the following goods:

5 gro. Gilt Buttons
5 pc. (45, 42, 54, 56, 55¾) Staple Gingham
3 pc. (56, 62¼, 66¾) Cotton Surah Lining
5 pc. (45¼, 45¾, 44, 46, 45) Bengaline Silk
12 doz. Handkerchiefs
3 doz. Ladies' Kid Gloves
2 doz. Ladies' Fancy Collars
4 doz. Ladies' Hose

Terms: 2/10, 1/30, net 60 da.

John B. Howard & Co., City, order:

2 pc. (47¼, 48) Barjeon Cashmere
2 pc. (42¼, 44¾) Black English Camel's Hair
3 doz. Combs
2 gro. Jet Buttons
2 pc. Velvet Ribbon

They inclose a check in payment of the bill, less 2%.

W. A. Marshall City, orders (terms: 2/10, 1/30, net 60 da.):

5 doz. Men's Collars
6 doz. Men's Kid Gloves
2 doz. Neckwear
4 doz. Shirts
1 doz. Suspenders

D. O. Mills, who has been out of town for several days, has just returned. In looking over the books he notices the *Cash Over and Under* account is credited with $39.57, and is reminded that on the day he left for Boston, Nov. 17, he sold Joseph H. Dillingham, City, for cash, less 2%, 2 doz. shirts, 1 doz. neckwear, 1 doz. men's hose; the cash was put in the cash drawer, but no bill was rendered or memorandum made.

Make the proper entries to adjust this blunder, proceeding as follows:

1. Debit *Cash Over and Under*, $39.57, in the cashbook in the regular way. This sum has been carried as a cash-over item.
2. Enter in the sales book in the regular way.
3. Credit *Joseph H. Dillingham* in the cashbook in the regular way.

Cash Over and Under Account, Explained. The *Cash Over and Under* account contains the items of cash over or the cash shortage. Sometimes when several persons handle the cash, errors are made in making change, and money is taken in or paid out and no memorandum made; and, again, sometimes a remittance is made in such a way that it fails to disclose the name of the person who made it. In such cases, proceed as follows:

1. For cash over: debit *Cash* and credit *Cash Over and Under* account.
2. For cash shortage: debit *Cash Over and Under* account and credit *Cash*.

The *Cash Over and Under* account is considered as a profit and loss suspense account and may have either a debit or a credit balance. Even though the greatest care is taken, errors sometimes occur, but over a period of time the over and under items will probably offset each other. If frequent errors occur, the cause should be ascertained and due steps taken to avoid them.

Pay cash, for brooms, mops, and dusters, $2.50.

Debit *Sundry Sales Department Expense* in the petty cashbook.

Pay M. P. Keeler, for the private account of D. O. Mills, $100.

Pay H. C. Benway, for painting the store, $120.

Post all entries to the appropriate ledgers.

Monday, Nov. 24

Goods ordered Nov. 17 of C. O. Bond & Co., Philadelphia, have been received. The invoice is dated Nov. 23. Terms: 30-day trade acceptance for amount of invoice, less 2%. Items are chargeable as follows: piece goods, $775.44; notions and trimmings, $207.49.

You have accepted, payable at The Union Bank, the 30-day trade acceptance which was inclosed with the above invoice, $963.27.

Enter in the journal. Debit *C. O. Bond & Co.* for the face of the invoice; credit *Trade Acceptances Payable* for the face of the acceptance and *Merchandise Discount on Purchases* for the discount.

Enter a memorandum of the acceptance in the notebook.

Trade Acceptance. The use of the time draft in connection with the sale of merchandise has been previously explained and illustrated in the text. The Federal Reserve Board has established the *trade acceptance*, which they have defined in Regulation A, Series of 1917, as "a draft or bill of exchange drawn by the seller on the purchaser of goods sold and accepted by such purchaser."

The regulations of the Federal Reserve Board granting additional privileges relative to the discounting, the re-discounting, and the purchasing of trade acceptances by banks, members of the Federal Reserve System, have done much to increase the use of this method of settlement. The American Bankers' Association and the National Association of Credit Men have been active in bringing the advantages of the trade acceptance to the attention of the general business public. In many of the monthly issues of the *Federal Reserve Bulletin*, the *Bankers Magazine* (N.Y.), and the *Bulletin of the National Association of Credit Men* students will find articles dealing with the advantages of using trade acceptances. Briefly summarized, the advantages of trade acceptances are as follows:

1. The purchaser acknowledges receipt of the merchandise, gives his written promise to pay the debt, improves his credit standing by paying the acceptance when due, and places himself in a better position to compete with the cash buyer.

2. The seller will have negotiable trade acceptances which, under the regulations of the Federal Reserve Board, may be discounted at a member bank at a lower rate of interest than is usually charged on a promissory note.

3. The seller will have but few trade accounts receivable upon his books, and as a result both collection expense and the loss from bad debts will be greatly reduced. The taking of unearned discounts and the unwarranted return of merchandise by the purchaser will be decreased, if not entirely eliminated, and thus a further saving will accrue to the seller.

4. The purchaser will buy merchandise with a greater regard for paying for it at a definite time, and undoubtedly this will result in carrying smaller stocks, but more adapted to the needs of the trade. This means a larger profit for the purchaser.

It is predicted that trade acceptances will replace to a large extent the open trade accounts of manufacturers, wholesalers, and jobbers.

Separate accounts should be kept with *Trade Acceptances Receivable* and *Trade Acceptances Payable.* The former is a current asset, the latter a current liability.

A telegraphic order has been received from Evans, Hoyt & Co., Troy, for the following goods to be shipped by fast freight, subject to the order of the bank:

3 pc. (45, 42, 45) Bengaline Silk
15 pc. Black Chantilly Lace
5 boxes Mercerized Crochet
3 pc. (47½, 45, 41) Serge Dress Goods
3 pc. (47, 52, 60) Cotton Surah Lining
2 pc. (42, 40) Fine English Serge
10 doz. spools Thompson Thread
4 doz. Thimbles
5 pc. Velvet Ribbon

Ship to the order of The Union Bank, less 2%.

Enter in the sales book for the face of the invoice.

The following orders were received in this morning's mail. Fill them in the regular way. Terms on the first: 2/10, 1/30, net 60 da.; on the second, a 30-day trade acceptance, less 2%.

1. From F. M. Reed & Co., Batavia:

10 pc. (47½, 51, 45, 48, 49, 51½, 46, 49, 53, 52) Staple Gingham
10 pc. Grosgrain Ribbon
5 doz. Ladies' Hose
5 pc. Marquise Lace
4 pc. (42½, 47½, 45, 50) Percale Shirting
2 pc. (45, 46) Simpson Mourning Print
5 doz. Shirts
20 doz. spools Thompson Thread

2. From Berriman & Co., Syracuse:

5 pc. Velvet Ribbon
2 pc. (42¼, 45¾) Suiting
3 pc. (52¼, 50¾, 42) Taffeta Silk
4 pc. (46½, 47½, 50, 52) Scotch Cheviot
3 pc. (46½, 47, 41) Lining Cambric

Remit the balance due the Olson Mills, Akron, less 2%.

Receive of C. D. Washburn, Bedford, a check, in payment of the invoice of *Nov. 21*, less 2%, for $415.31.

Remit to R. W. Wood & Co., New York, for the invoice dated Nov. 14, less 3%. Amount of the invoice, $950.50.

Remit to Howell, Burns & Co., Chicago, for the invoice dated Nov. 15, less 2%. Amount of the invoice, $379.50.

Post all entries to the appropriate ledgers.

Submit all books to the instructor for approval.

Tuesday, Nov. 25

The following orders were received in this morning's mail. Fill each of them in the regular way. Terms: 2/10, 1/30, net 60 da.

1. From Gardiner & Sprong, Rush:

4 pc. (42, 41, 46, 50) American Print
6 pc. (52¾, 51, 46, 57, 42, 52¼) Staple Gingham
4 pc. (47, 45½, 47½, 46) Fruit Bleach
3 pc. (50, 52, 56) Suiting
2 doz. Ladies' Fancy Collars
3 doz. Ladies' Kid Gloves
3 doz. Handkerchiefs
5 gro. Gilt Buttons
10 pc. Fancy Black Ribbon
12 doz. spools Corticelli Silk
3 pc. Duchesse Lace

2. From L. O. Sweetland, Buffalo:

10 pc. Velvet Ribbon
12 doz. spools Thompson Thread
3 boxes White Tape
3 doz. Shirts
4 doz. Men's Hose
3 doz. Men's Kid Gloves
3 doz. Jumpers
3 doz. Overalls

3. From W. A. Marshall, City:

10 pc. (50, 42, 53, 47, 41, 40, 45, 48½, 47½, 50) Taffeta Silk
3 pc. (42, 41, 45) Staple Gingham
3 pc. (47, 42, 45) Serge Dress Goods
3 pc. (42, 41, 45) Suiting

Receive of Chas. H. Dean & Co., Northampton, a check, to apply on account, for $300.

Receive of Knowlton & Beach, Rome, a check, to balance their account, for $88.47.

Send a remittance to Howell, Burns & Co., Chicago, to apply on account, $750.

Receive of D. E. Mosher, Tonawanda, a New York draft, in settlement of the invoice dated Nov. 15, less 2%, for $392.

Your bank notifies you that the note of J. E. King, left with them for collection, has been paid. No collection charged.

Send to Jones, Taylor & Co., Boston, a remittance in payment of the invoice dated Nov. 16, less 3%. Amount of the invoice, $719.50.

Post all entries to the appropriate ledgers.

Wednesday, Nov. 26

The bank notifies you that the note of J. H. Smith & Co., left with them for collection, has been paid. Face of the note, $500; interest, $5; collection charged, 50¢.

Credit *Accrued Interest on Notes Receivable*, $4.50; *Interest Earned*, for the interest from Nov. 19 to date, 50¢.

W. E. Simpson, City, has telephoned the following order to be delivered to him:

5 pc. (42¼, 44¾, 48, 51, 62) Fancy Plaids
2 pc. (42½, 45) Scotch Cheviot
5 doz. Boys' Hose
2 pc. (47, 45) Barjeon Cashmere
2 pc. (45½, 46) Amazon Cloth
1 pc. (48) Black English Camel's Hair
3 doz. Neckwear
2 doz. Ladies' Fancy Collars
2 doz. Ladies' Kid Gloves

Fill the order. Terms: cash on delivery, less 2%.

The goods are delivered, and a check is received in payment of the bill. Make regular entries in the sales book and cashbook.

Pay cash to the Rapid Delivery Co., for the delivery of this order, $2.

Debit *Cartage Outward* in the petty cashbook.

J. N. Badger, City, has telephoned for the following goods:

2 doz. Belts
5 doz. Jumpers
5 doz. Overalls
3 doz. Mittens
5 doz. Shirts
6 doz. Men's Collars
2 doz. Men's Kid Gloves

Fill the order. Terms: 2/10, 1/30, net 60 da.

The Citizens Carting Co. has completed the delivery of the goods ordered Nov. 18 of the Eclipse Mills, Little Falls. The invoice is dated Nov. 24. Terms: cash on delivery, less 2%. Items are chargeable to departments as follows: piece goods, $1611.08; notions and trimmings, $245.27.

Pay the invoice by check, taking advantage of the cash discount.

Make the regular entries in the purchase book and the cashbook.

Receive of Eaton & Co., Williamson, a New York draft, to apply on account, for $250.

Send a remittance to the Ely Manufacturing Co., Springfield, in payment of the invoice dated Nov. 21, less 3%.

Post all entries to the appropriate ledgers.

Thursday, Nov. 27

Telegraph Howell, Burns & Co., Chicago, ordering notions and trimmings to the amount of $571.46.

Pay the cost of the telegram, $1.50.

Debit *Sundry Office Expense.*

Remit to F. R. Stiles & Co., Boston, to apply on account, $1500.

Fill the following orders, which were received in this morning's mail. Terms: 2/10, 1/30, net 60 da.

1. From James B. Stillman, Rochester:

5 pc. Marquise Lace
2 pc. Grosgrain Ribbon
4 pc. Velvet Ribbon
4 doz. Combs
5 doz. pc. L. Torchon Lace
4 gro. Pearl Buttons

2. From Earl & Simpson, Hopewell:

2 pc. (42, 45) Percale Shirting
1 pc. (52) Fine English Serge
2 pc. (47, 45) Suiting
4 pc. (47, 42, 45, 52) Lonsdale Cambric
4 gro. Jet Buttons
12 doz. Hair Pins
6 boxes Darning Cotton
5 pc. Duchesse Lace
6 doz. spools Thompson Thread

Your bank notifies you that the note of C. W. Gray & Co., left for collection, has been paid. Face of the note, $1500; interest, $7.50; collection charged, $1.50.

What is the amount of interest earned since Nov. 19?

Receive a check of J. N. Badger, City, in full for the bill of Nov. 26, less 2%, for $181.89.

Post all entries to the appropriate ledgers.

Submit all books to the instructor for approval.

Friday, Nov. 28

Receive the accepted trade acceptance mailed to Berriman & Co. on *Nov. 24.*

Enter in the journal. Debit *Trade Acceptances Receivable* for the face of the acceptance, *Merchandise Discount on Sales* for the amount of the discount, and credit *Berriman & Co.* for the amount of the invoice.

Receive of C. D. Washburn, Bedford, a New York draft, to apply on account, for $150.

Receive of Gardiner & Sprong, Rush, a New York draft, in payment of the invoice of *Nov. 22*, less 2%, for $476.53.

Pay Freeman Manufacturing Co., City, for the invoice dated Nov. 21, less 2%.

Fill the following orders. Terms: 2/10, 1/30, net 60 da.

1. From Benj. Tracy & Co., City:

15 doz. Men's Kid Gloves
15 doz. Ladies' Kid Gloves
4 doz. Boys' Hose
6 doz. Men's Hose
4 doz. Ladies' Hose
4 doz. Shirts

2. From F. M. Reed & Co., Batavia:

7 pc. (42, 41, 40¾, 45, 47½, 42, 47) Am. Black Dress Silk
5 pc. (42½, 46, 42, 43, 40) Amazon Cloth
5 pc. (42¼, 40, 42, 43¼, 45) Fine English Serge
5 doz. Ladies' Kid Gloves
5 pc. Duchesse Lace
5 doz. Shirts

Post all entries.

Saturday, Nov. 29

Your bank informs you that the sight draft attached to the bill of lading of *Nov. 24* has been collected. Collection, $\frac{1}{10}\%$.

Receive a check from L. O. Sweetland, Buffalo, in payment of the invoice of *Nov. 25*, less 2%, for $176.11.

Receive a check from W. A. Marshall, City, in payment of the invoice of *Nov. 22*, less 2%, for $146.02.

Pay the Eclipse Mills, Little Falls, to balance account, $681.75.

Pay the bill of the Citizens Carting Co., for freight and cartage to date, $108.31.

Debit *Piece Goods Purchases*, $47.60; *Notions and Trimmings Purchases*, $16; *Furnishings Purchases*, $39.71; *Cartage Outward*, $5.

Pay cash to the Jackson Printing Co., for office stationery, $7.85.

Debit *Stationery and Office Supplies, Unused* in the petty cashbook.

Pay the following salaries for the week: Office Salaries, $65; Sales Department Salaries, $150.

Make the following remittances: Jones, Taylor & Co., to apply on account, $500; R. W. Wood & Co., to apply on account, $300; F. R. Stiles & Co., to balance account, $900.

Goods ordered Nov. 28 of the Freeman Manufacturing Co., City, have been delivered. The invoice is dated Nov. 28. Terms: 2/10, net 30 da. The items are chargeable to the following departments: piece goods, $663.25; notions and trimmings, $424.25.

Fill the following orders. Terms: 2/10, 1/30, net 60 da.

1. From F. O. Saunders, Sodus:

6 pc. (42, 45, 47, 42, 47, 48½) Denim
4 pc. (45¼, 42, 45, 46) Staple Gingham
10 gro. Gilt Buttons
5 gro. Pearl Buttons
4 doz. Boys' Hose
6 doz. Ladies' Hose
5 doz. Ladies'. Kid Gloves
5 gro. Jet Buttons

2. From B. N. Acker, Byron:

25 doz. spools Corticelli Silk
25 gro. Bone Buttons
5 pc. (42¼, 43, 45, 44½, 40) Suiting
5 pc. (40¼, 42½, 40, 41, 42) Serge Dress Goods
4 pc. (42¾, 45, 46, 42) Fine English Serge

3. From W. A. Marshall, City:

10 doz. Shirts
6 doz. Men's Kid Gloves
12 doz. Mittens
3 doz. Neckwear

Goods ordered Nov. 17 of Geo. A. Wright & Co., Brooklyn, have been delivered. The invoice is dated Nov. 28. Terms: 3/10, net 60 da. Items are chargeable to departments as follows: piece goods, $1424.27; notions and trimmings, $90.83.

Goods ordered Nov. 16 of the Clinton Mills, Syracuse, have been received. The invoice is dated Nov. 28. Terms: 3/10, net 60 da. Items are chargeable to departments as follows: piece goods, $353.75; notions and trimmings, $22.50.

Post all entries.

Submit all books to the instructor for approval.

Closing the Work for November. Rule and foot the cashbook and post the appropriate totals to the ledger.

NOTE. The footing of the *Discount on Sales* column is posted to the debit of the *Merchandise Discount on Sales* account, and the footing of the *Discount on Purchases* column is posted to the credit of the *Merchandise Discount on Purchases* account.

Rule and foot the petty cashbook. Credit *Petty Cash* for the total cash disbursements.

Rule and foot the sales book. The following is the closing entry expressed in journal form:

Accounts Receivable				
Piece Goods Sales				
Notions and Trimmings Sales				
Furnishings Sales				

In practice this entry is either written in the sales book, below the columnar footings for the period, or the pages to which the several accounts are posted are indicated below the totals. Use the latter method and post the items to the general ledger.

Rule and foot the purchase book. The following is the closing entry expressed in journal form:

Piece Goods Purchases				
Notions and Trimmings Purchases				
Furnishings Purchases				
Accounts Payable				

Do not write this entry in the purchase book, but post the columnar footings to the general ledger, indicating the pages below the respective totals.

Rule and foot the journal; post the amounts to the ledger.

Prove the notebook.

Make an abstract of the customers' ledger and have it approved.

Make an abstract of the creditors' ledger and have it approved.

Take a trial balance of the general ledger and have it approved.

Submit all books to the instructor for approval.

Opening the Work for December. The following memoranda continue the work of November. The same books and price lists are to be used.

MEMORANDA OF TRANSACTIONS FOR DECEMBER

Monday, Dec. 1

Discount the 60-day note of Jaggard & Co. at the bank, and receive credit for the proceeds.

In the cashbook, credit *Notes Receivable Discounted* for the face of the note and debit *Interest Paid* for the discount. Make the proper notation in the notebook.

Notes Receivable Discounted Account, Explained. When a note receivable is discounted at a bank, the indorser is liable for the payment of the note if the maker does not pay it when due. This contingent liability should appear upon the books of the indorser until the note is due and paid, by making the following illustrative entry at the time of discount:

Cash	199	
Interest Paid	1	
Notes Receivable Discounted		200
Discounted A. Brown's 60-day note.		

If no notice is received of the nonpayment of the note by the maker, the indorser makes the journal entry:

Notes Receivable Discounted	200	
Notes Receivable		200
Relieved of contingent liability on discounted note of A. Brown.		

If a contingent liability for *Notes Receivable Discounted* appears in the ledger at the close of a fiscal period, it is subtracted in the

financial statement from the amount of *Notes Receivable*, and only the net amount extended. To illustrate:

Notes Receivable	1500	
Less Notes Receivable Discounted	500	1000

Pay the note in favor of the Jones Manufacturing Co., due yesterday, and payable at The Union Bank.

The Citizens Carting Co. has delivered to you the goods ordered on Nov. 26 of Olson Mills, Akron. The invoice is dated Nov. 29. Terms: 2/10, net 30 da. Items are chargeable to departments as follows: piece goods, $2743.26; notions and trimmings, $108.75.

Receive of B. N. Acker, Byron, a check, for the invoice of *Nov. 29*, less 2%, for $510.47.

Wm. J. Tenny has resumed his work in eastern New York after a vacation of one week. He sends you the following orders:

1. Harlan & Wilson, Albany:

5 pc. (45½, 40, 47, 52, 67) Am. Black Dress Silk
8 pc. (47, 52, 61¾, 49, 63, 49, 59, 61) Scotch Cheviot
12 doz. Boys' Hose
12 doz. Ladies' Hose
9 pc. Marquise Lace
8 pc. (49, 52, 54, 52¾, 57¼, 56, 49, 61¾) Percale Shirting
12 doz. spools Thompson Thread
9 gro. Pearl Buttons
3 pc. (47, 45, 42) Taffeta Silk

2. W. F. Pratt, Utica:

6 pc. (49, 51¾, 54, 56, 61, 68) Staple Gingham
25 pc. Grosgrain Ribbon
7 gro. Jet Buttons
3 gro. Gilt Buttons
8 pc. (52, 47, 48½, 45¼, 47¾, 49, 47½, 49¼) Scotch Cheviot
3 pc. (47½, 49¼, 50¼) Simpson Mourning Print
5 doz. Shirts
5 doz. Men's Kid Gloves
3 doz. Ladies' Fancy Collars
3 doz. Ladies' Kid Gloves

Fill each order. Terms: 2/10, 1/30, net 60 da.

Send Wm. J. Tenny, at Albany, for traveling expenses, $100.

Receive of Earl & Simpson, Hopewell, a New York draft, for the invoice of *Nov. 27*, less 2%, for $175.39.

Receive of James B. Stillman, Rochester, a New York draft, in full for the invoice of *Nov. 27*, less 2%, for $45.08.

He orders the following goods:

5 pc. (42¼, 47, 43, 45, 52) Denim
6 pc. (43, 44, 41½, 46, 47, 43) Bengaline Silk
6 pc. (47½, 45, 56, 52, 49, 51) Taffeta Silk
10 doz. pc. L. Torchon Lace
8 gro. Gilt Buttons
4 doz. Combs
10 doz. Hair Pins
5 pc. Velvet Ribbon

Fill the order. Terms: 2/10, 1/30, net 60 da.

Return to Geo. A. Wright & Co., Brooklyn, piece goods to the amount of $13.33, received on their invoice dated Nov. 28. These goods are returned, owing to a misunderstanding in regard to their quality.

Make a journal entry, adjusting the item between *Geo. A. Wright & Co.* and *Piece Goods Purchases.*

Buy postage stamps for cash, $5.

Post all entries.

Submit all books to the instructor for approval.

Tuesday, Dec. 2

The following orders, received this morning, are to be filled in the regular way. Terms: 2/10, 1/30, net 60 da.

1. From Knowlton & Beach, Rome:

5 pc. (54, 52, 47¾, 48, 56) Bengaline Silk
4 pc. (42¼, 45, 46, 49) Calais Gingham
4 doz. Boys' Hose
3 pc. (47¾, 49, 56) Denim
6 doz. Ladies' Kid Gloves
6 doz. Men's Kid Gloves

2. From Fred S. Goodwin, Savannah:

4 pc. (47½, 49¼, 47, 52) Fancy Wool Cheviot
12 doz. Men's Kid Gloves
12 doz. Ladies' Kid Gloves
5 pc. (47½, 49, 51, 43¾, 58) Am. Black Dress Silk
10 doz. spools Corticelli Silk
5 pc. Black Chantilly Lace
10 boxes Mercerized Crochet

3. From C. D. Washburn, Bedford:

5 doz. Shirts
4 doz. Jumpers
6 doz. Overalls
8 doz. Mittens
3 doz. Men's Kid Gloves
4 doz. Neckwear

Stationery manufactured for your firm by Meyers, Teeter & Co., Savannah, has been received. The invoice is dated Nov. 29. Draw, at sight, on Fred S. Goodwin, Savannah, in favor of Meyers, Teeter & Co., for $24.43, and remit the draft to them in settlement, as Goodwin has agreed to honor the draft.

Enter in the journal.

Remit to R. W. Wood & Co., New York, to balance the old account.

Remit to Jones, Taylor & Co., Boston, in payment of the invoice dated Oct. 30, $587.83.

Receive of Gardiner & Sprong, Rush, a check, for the invoice of *Nov. 25*, less 2%, for $215.69.

Post all entries.

Wednesday, Dec. 3

The Citizens Carting Co. has delivered to your firm the goods ordered of Howell, Burns & Co., Chicago, Nov. 27. The invoice is dated Dec. 1. Terms: 2/15, net 60 da. Items are chargeable to the notions and trimmings department, $571.46.

Traver, Stillman & Co., Penfield, order:

8 pc. (47½, 48, 49, 50, 52½, 58, 59, 60) Lonsdale Cambric
10 pc. Marquise Lace
15 pc. Velvet Ribbon
7 pc. Grosgrain Ribbon
5 pc. (52, 57, 48¾, 51, 50) Taffeta Silk
7 pc. (48½, 49, 51, 52¼, 57, 48, 49) Fruit Bleach
3 pc. (48½, 49, 50) Percale Shirting
10 doz. Shirts
3 doz. Neckwear
2 doz. Men's Kid Gloves

These men are entire strangers to you and they instruct you to ship by freight, at once, subject to the order of the bank, as they are in need of the goods. Fill the order as they suggest, less 2%.

When is the merchandise discount on this sale recorded?

Fill the following order of Benj. Tracy & Co., City. Terms: 2/10, 1/30, net 60 da.

5 pc. (47½, 52½, 62, 60, 61) Bengaline Silk
7 pc. (47½, 41, 46, 42½, 45, 46, 47½) Suiting
4 pc. (47½, 51, 50, 52) Fancy Plaids
3 pc. (47½, 45, 41) Barjeon Cashmere
5 doz. spools Thompson Thread
4 pc. Fancy Black Ribbon
10 pc. Duchesse Lace
10 gro. Pearl Buttons

They inclose with the above order a check, in settlement of the invoice of *Nov. 28*, less 2%, for $468.68.

Discount at 6% your own 30-day note at The Union Bank for $2500. The bank places the proceeds to your credit.

Make the proper entry in the notebook. Debit *Interest Paid* for the amount of the discount.

The note in favor of D. N. Snow & Co. is due to-day, payable at The Union Bank. Face of note, $3000; interest to date, $15. Pay the note and interest.

Debit *Accrued Interest on Notes Payable*, $8; *Interest Paid*, $7.

Make a cash donation to charity, $5.

Debit *Sundry Office Expense*.

The following orders have been received by telephone and are to be filled in the regular way. Terms: 2/10, 1/30, net 60 da.

1. John B. Howard & Co., City:

10 gro. Bone Buttons
5 doz. Combs
12 doz. spools Corticelli Silk
6 gro. Gilt Buttons
8 gro. Jet Buttons
4 gro. Pearl Buttons
10 pc. Marquise Lace
10 boxes Darning Cotton

NOTE. The tendency among retailers located near wholesale dealers is to carry smaller stocks and to order merchandise more frequently. This is the result of the retailer studying the needs of his trade and carrying only such merchandise as is adapted thereto. As a consequence, many wholesale dealers are noting an increase in comparatively small telephone orders, such as are here received from John B. Howard & Co. and J. N. Badger. The same principle of carrying stocks as small as practicable, yet selected with due regard to the demands of customers, is applicable, of course, to all lines of trade.

2. J. N. Badger, City:

3 doz. Belts
6 doz. Boys' Hose
12 doz. Men's Hose
12 doz. Men's Collars
4 doz. Neckwear
8 doz. Shirts
6 doz. Suspenders

Post all entries.

Thursday, Dec. 4

You draw one-half month's salary, $40.

Pay Chas. Denman cash, for cleaning the basement, $4.50.

Make the entry transferring $50 to the petty-cash fund.

Pay for sundry repairs to building and fixtures, cash, $5.50.

D. A. Delano, Sodus, writes, asking you to ship him by express, C.O.D.:

15 doz. Ladies' Kid Gloves
15 doz. Men's Kid Gloves
5 doz. Ladies' Hose
5 doz. Men's Hose

Fill the order as he suggests, less 2%.

The Citizens Carting Co. has delivered the goods ordered on Nov. 27 of Boyd, Cole & Co., Trenton. The invoice is dated Dec. 2. Terms: 2/10, net 60 da. Items are chargeable to the piece-goods department, $283.60.

Receive of Chas. H. Dean & Co., Northampton, a New York draft for $190.25.

Remit to R. W. Wood & Co., New York, in full for the invoice dated Nov. 19, less 3%.

B. E. Valentine, Rose, writes asking that you ship him by express, C.O.D.:

3 pc. (47½, 41, 45¼) Am. Black Dress Silk
3 pc. (45½, 41¼, 40) Taffeta Silk
15 doz. Boys' Hose
5 doz. Ladies' Hose

Fill the order as he suggests, less 2%.

Receive of W. F. Pratt, Utica, a check, in payment of the invoice of *Dec. 1*, less 2%, for $464.27.

Receive of W. A. Marshall, City, a check, in payment of the invoice of *Nov. 25*, less 2%, for $602.13.

Receive of J. V. Richardson & Co., Earlville, a check, to balance the old account and in payment of the invoice of *Nov. 22*, less 2%. The amount of the check is $916.28. They order the following:

7 pc. (47½, 48, 52, 51¾, 48, 53, 50½) Am. Black Dress Silk
3 pc. (49½, 51, 48¾) Lining Cambric
3 pc. (47½, 49, 42) Fine English Serge
6 pc. (42, 47, 50, 51, 60, 47½) Simpson Mourning Print
5 doz. spools Thompson Thread
3 doz. Combs
3 pc. Marquise Lace
3 pc. Velvet Ribbon
2 pc. (47, 49) Denim
2 pc. (42½, 47) Bengaline Silk

Fill the order. Terms: 2/10, 1/30, net 60 da.

Post all entries.

Submit all books to the instructor for approval.

Friday, Dec. 5

An inquiry has been received from Nester & Worden, Geneva, retail dry-goods merchants, relative to a general line of dry goods. They refer you to several well-known houses, state that they are rated by Dun's and Bradstreet's agencies, and ask you to quote them your best terms.

An investigation of their financial standing proves the desirability of securing them as regular customers. Write them a courteous letter, thanking them for their inquiry and soliciting a share of their patronage. Call brief attention to your general facilities for doing business, and try to make them feel that it would be to their advantage to enter into business relations with your firm.

NOTE. Dun's and Bradstreet's commercial agencies are two large corporations of the United States engaged in the business of collecting information with regard to the financial standing, the ability, and the rating of persons engaged in business enterprises, and of sending it to subscribers to their service. These two agencies have become extensive factors in modern commercial transactions by furnishing information to retail jobbers, wholesale merchants, etc. The prudent business man before selling to a stranger on credit should inform himself first, through these commercial agencies, of the financial standing of the prospective customer.

Goods ordered Nov. 28 of Jones, Taylor & Co., Boston, have been delivered by the Citizens Carting Co. The invoice is dated Dec. 4. Terms: 3/10, net 60 da. Items are chargeable to the piece-goods department, $546.21.

You ship Summer Bros., Union Springs, according to their instructions in a letter received this morning, the following goods by freight, subject to the order of the bank:

12 pc. Black Chantilly Lace
4 pc. (42¼, 42, 45¾, 47) Bengaline Silk
7 pc. (42¼, 47½, 51, 50, 52¾, 53, 54) Cotton Surah Lining
3 pc. (47½, 41¼, 49) Fancy Plaids
3 gro. Gilt Buttons
10 pc. (47½, 49, 41, 47, 45, 52, 61¼, 59¾, 57½, 51¼) Staple Gingham
2 gro. Bone Buttons
2 doz. spools Corticelli Silk
3 pc. (47½, 48, 45) Fine English Serge
5 doz. Men's Gloves
5 doz Men's Hose

You allow them a 2% discount on the bill.

Benj. Tracy & Co., City, owing to a slight imperfection in the merchandise, return goods chargeable to the notions and trimmings department, amounting to $14, from the invoice sent to them on *Dec. 3.*

Make a journal entry, adjusting the items between the *Notions and Trimmings Sales* account and *Benj. Tracy & Co.*

Henderson & Everett, Auburn, to whom you quoted prices and terms Nov. 17, have sent the following order:

3 pc. (52¼, 53¾, 50) Am. Black Dress Silk
2 pc. (47, 43) Amazon Cloth
2 pc. (47¼, 42) Black English Camel's Hair
2 pc. (47½, 45) Fancy Wool Cheviot
15 doz. Men's Kid Gloves
10 doz. pc. Linen Torchon Lace
10 doz. spools Thompson Thread
3 pc. (52¼, 57, 52) Taffeta Silk
10 doz. Shirts

They inclose a New York draft in payment of the bill, less 2%.

The following orders, received in this morning's mail, are to be filled in the regular way. Terms: 2/10, 1/30, net 60 da.

1. Chas. H. Dean & Co., Northampton:

10 pc. Fancy Black Ribbon
3 pc. (47½, 41, 49) Staple Gingham
5 pc. Marquise Lace
7 pc. (47½, 41, 49, 52, 51¾, 57, 56) Scotch Cheviot
3 pc. (47½, 41, 49) Simpson Mourning Print
7 gro. Jet Buttons
3 pc. Grosgrain Ribbon
5 doz. spools Thompson Thread
5 doz. spools Corticelli Silk
3 pc. (47¾, 49, 52) Denim
5 doz. Ladies' Gloves
6 doz. Ladies' Hose

2. Eaton & Co., Williamson:

7 pc. (47½, 41, 40, 43, 45, 47½, 48) American Print
3 doz. spools Corticelli Silk
4 gro. Bone Buttons
10 pc. (52¼, 47½, 52, 51, 53½, 50, 54, 56, 59, 60½) Staple Gingham
10 pc. (52¼, 47¼, 52, 51, 53½, 50, 49, 56, 58, 59) Cotton Surah Lining
7 doz. Ladies' Hose
7 doz. Boys' Hose
10 doz. Overalls
10 doz. Jumpers
3 doz. Shirts
2 doz. Suspenders

Eaton & Co. inclose a New York draft, to apply on account, for $290.71.

Receive of F. O. Saunders, Sodus, a check, to balance the old account and in payment of the invoice of *Nov. 29*, less 2%. The amount of the check is $464.34.

Pay cash for an advertisement inserted in the *Daily Morning Transcript*, seeking the services of a competent and experienced stenographer, 50¢.

Debit *Sundry Office Expense.*

Receive of Harlan & Wilson, Albany, a New York draft, in payment of the invoice of *Dec. 1*, less 2%, for $788.32. In their letter they order:

25 doz. Men's Kid Gloves
25 doz. Ladies' Kid Gloves

Fill the order. Terms: 2/10, 1/30, net 60 da.

Remit to Olson Mills, Akron, for the invoice dated Nov. 29, less 2%. Post all entries.

Saturday, Dec. 6

Goods ordered of R. W. Wood & Co., New York, on Dec. 2, have been delivered by the Citizens Carting Co. The invoice is dated Dec. 5. Terms: 3/15, net 60 da. Items are chargeable to departments as follows: piece goods, $1370.05; notions and trimmings, $321.75.

Ellis & Farmer, Lynn, order:

7 pc. (57, 52, 51, 52, 50, 52¾, 52) Staple Gingham
7 pc. (47, 49, 50, 42, 44, 53, 48) Fine English Serge
8 pc. (47, 48, 47, 42, 46, 42¼, 43¾, 42) Fancy Plaids
5 doz. spools Corticelli Silk
10 pc. Black Chantilly Lace
5 pc. Duchesse Lace
7 boxes Mercerized Crochet
10 doz. Thimbles
12 boxes White Tape

Fill the order. Terms: 2/10, 1/30, net 60 da.

Your bank informs you that the sight draft attached to the bill of lading on Dec. 3 has been collected; collection charges, 65¢. Also that the note of S. C. Williams, left for collection on Dec. 1, has been paid, and credited to your account, less $1 for collection.

Pay the bill of the Citizens Carting Co., $122.86. Items are as follows: Piece Goods Purchases, $50.27; Notions and Trimmings Purchases, $17.45; Furnishings Purchases, $10.14; Cartage Outward, $45.

D. E. Mosher, Tonawanda, orders:

3 doz. Boys' Hose
2 pc. (47, 50) Cotton Surah Lining
5 pc. Marquise Lace
3 pc. (47½, 45, 41) Taffeta Silk
5 pc. Velvet Ribbon
3 pc. (42, 47, 45) Suiting
3 doz. Combs
4 doz. Ladies' Kid Gloves
7 doz. Ladies' Hose
6 doz. Ladies' Fancy Collars

Fill the order. Terms: 2/10, 1/30, net 60 da.

In the above letter was a check for $369.09, to balance the old account.

Goods ordered on Nov. 16 of Macey, Cooper & Co., New York, to be delivered not later than Dec. 10, have been received. The invoice is dated Dec. 5. Terms: 3/10, net 30 da. The items are chargeable to the furnishings department, $462.25.

Pay a sight draft of the Ely Manufacturing Co., Springfield, on your firm, in favor of themselves, for $912.34.

Receive the following remittances on account:

1. Of Fred S. Goodwin, Savannah, a New York draft, in payment of the balance of the old account and to apply on the purchase of *Dec. 2*. The amount of the draft is $396.41.

2. Of Benj. Tracy & Co., City, a check, in payment of the balance of the invoice of *Dec. 3*, less 2%, for $704.84. Note the merchandise returned on *Dec. 5*.

Make the following remittances on account:

1. To Jones, Taylor & Co., Boston, in payment of the invoice dated Dec. 4, less 3%.

2. To Howell, Burns & Co., Chicago, in payment of the invoice dated Dec. 1, less 2%.

Pay the weekly salaries: Office Salaries, $65; Sales Department Salaries, $150.

Post all entries.

Submit all books to the instructor for approval.

Closing the Set. Make a journal entry to adjust the interest on the proprietors' accounts directly between the proprietors themselves (see explanation, page 301). Take into consideration the following:

1. Interest was last adjusted Nov. 15.

2. Morley's investment is $50,000; Mills's investment is $25,000; these sums draw interest from Nov. 15 to date. Count the exact number of days.

Outline the entry on paper for the above adjustment of interest, and have it approved by the instructor before you make it in your books.

Post the above entry.

NOTE. Before closing the cashbook, the sales book, and the purchase book, refer to instructions given for closing the work in November, page 401.

Rule and foot the cashbook and post the appropriate totals to the ledger.

Rule and foot the petty cashbook. Credit *Petty Cash* for the total cash disbursements.

Rule and foot the sales book; post the columnar totals to the general ledger.

Rule and foot the purchase book; post the columnar totals to the general ledger.

Rule and foot the journal; post the amounts to the ledger.
Prove the notebook.
Make an abstract of the customers' ledger and have it approved.
Make an abstract of the creditors' ledger and have it approved.
Take a trial balance from the general ledger and have it approved.
The following notations are to be considered in closing the books:

Mdse. Inventories, Dec. 6, 19—:	
Piece Goods	$38362.91
Notions and Trimmings	9653.75
Furnishings	16821.96
Inventory, Stationery and Office Supplies, Unused	40.
Inventory, Fuel on hand	59.50
Depreciation on Building and Fixtures	40.
Depreciation on Sales Department Furniture and Furnishings	12.50
Depreciation on Office Furniture and Furnishings	2.50
Insurance for the period	23.50
Unpaid Telephone bill	12.50
Unpaid Light bill	15.45

Reserve for Bad Debts, 1% of total net sales.

Make and post the necessary entries to record the data given in the above notation.

NOTE. Balance the *Notions and Trimmings Sales* account to obtain the net departmental sales; balance the *Piece Goods Purchases* account to obtain the net departmental purchases.

Compile the departmental revenue accounts and the *Trading*, *Administration*, *Financial Income and Expense*, and *Appropriation* accounts. Divide the net profit, the balance of the *Appropriation* account, between the partners, in the agreed proportion, and carry each partner's share to his drawing account.

Close the general ledger accounts.

Make the operating statement for the period.

NOTE. Returned sales and returned purchases should be shown upon the operating statement in the following form:

Notions and Trimmings, Sales	$2691.82	
Less Returns	15.23	$2676.59
Piece Goods Purchases	16932.23	
Less Returns	16.88	16915.35

Make the financial statement at the close of the period.
Submit all books to the instructor for approval.

CHAPTER XXXII

THE USE OF PERCENTAGES

Further Uses. On page 362 it was explained how the percentage cost of doing business could be obtained by dividing the operating expenses by the gross sales. Further information for use in managing the business may be gained by ascertaining the percentage which each item of operating expense bears to gross sales. The sum of the separate percentages should equal the total cost of doing business. To illustrate, assume that the operating statement of Norris & Nolan discloses the fact that the sales of the period are \$50,000, and the expense for advertising is \$1250. The percentage incurred for advertising is therefore \$1250 divided by \$50,000, or $2\frac{1}{2}\%$.

Comparison of the detailed expense percentages with the corresponding percentages of former periods or with the standard average percentages obtained in the particular business brings to the attention of the management those items which are out of proportion and which therefore need administrative study.

Calculation of Percentages. Gross profit is the difference between the selling price of an article and the cost price, and consists of two elements, — the cost of doing business and the net profit. The percentage of gross profit is found by dividing the gross profits on sales by the gross sales, less returns. The cost of doing business subtracted from the gross profits on sales gives the net profit from sales. The percentage of net profit from sales is found by dividing the difference between the gross profits and the cost of doing business by the gross sales, less returns. To illustrate, assume the sales of Norris & Nolan are \$50,000, while the gross profits are \$15,000 and the operating expenses are \$10,000. The following percentages are obtained:

Gross profit:	$\frac{\$15000}{\$50000} = 30\,\%$
Cost of doing business:	$\frac{\$10000}{\$50000} = 20\,\%$
Net profit on sales:	$\frac{\$5000}{\$50000} = 10\,\%$

The following exercise is suggested for drill in the use of percentages.

Exercise 78. The Use of Percentages

1. State the percentage of gross profit which Morley & Mills made on the sales of each of the departments of the business. The cost of goods sold and the sales were as follows:

Department	Cost of Goods Sold	Sales Price
Piece Goods	$10680.37	$12854.35
Notions and Trimmings	996.49	1186.43
Furnishings	3885.88	5228.32

2. The total operating expenses of Morley & Mills for the period were $1570.39, of which $1247.14 were trading expenses and $323.25 were administration expenses.

a. What was the percentage cost of doing business?

b. What was the percentage cost of trading expense?

c. What was the percentage cost of administration expense?

3. On sales amounting to $19,269.10 Morley & Mills made a net operating profit of $2135.97. What is the percentage of net operating profit?

4. As a further exercise it is recommended that the student calculate the percentages of each of the operating expenses given in the operating statement of Morley & Mills. It is suggested that the instructor return the operating statements to the student to use for this purpose.

The following review problems are suggested.

Exercise 79. Review

1. From the accounts listed in Exercise 76, problem 1, compile the following without using figures:

(*a*) The operating statement (*b*) The financial statement

Consider closing inventories for such accounts as may be necessary.

2. From the accounts listed in Exercise 76, problem 2, compile the following without using figures:

(*a*) The operating statement (*b*) The financial statement

Consider closing inventories for such accounts as may be necessary.

3. The following operating statement shows the operations of John H. Richards, a merchant, for the year 19—. From it compile the journal entries, supporting the appropriate revenue accounts, and give the revenue accounts as they would appear in the ledger.

John H. Richards

OPERATING STATEMENT

For the year ending December 31, 19—

Sales		$70000
Inventory, first of year	$33000	
Purchases	51000	
	$84000	
Inventory, close of year	37000	
Cost of goods sold		47000
Gross profit on sales		$23000
Trading expenses:		
Salesmen's Salaries	$3500	
Advertising	1400	
Rent	1500	
Insurance	175	
Taxes	200	
Bad Debts	700	
Delivery Expense	1500	8975
Trading profit		$14025
Administration expenses:		
Office Salaries	$2400	
Office Supplies	125	
Postage	50	
Telephone and Telegrams	100	
Sundry Office Expense	50	2725
Net operating profit		$11300
Add: Financial Income		
Mdse. Discount on Purchases	$1000	
Deduct: Financial Expense		
Interest Paid	150	850
Net profit for the year		$12150

APPENDIX A

DEFINITIONS AND RULES

Definitions and Explanations

Bookkeeping. Bookkeeping is the art of making a systematic record of business transactions. From the record the Proprietor may ascertain the condition of his business.

Business Transaction. A business transaction is an exchange of values.

Double Entry and Single Entry. There are two methods of bookkeeping, *double entry* and *single entry.*

In *double entry*, accounts are kept not only with persons but with all sources that affect the results or the condition of the business.

In *single entry*, accounts are kept, usually, with persons only.

Inventory. An inventory is an itemized statement or schedule, in writing, showing the amount of certain assets *owned* by the business, or certain liabilities *owed* by the business.

Capital. Capital, at the beginning of the business, usually is the amount invested; at other times it is the excess of assets over liabilities.

Merchandise. Merchandise includes all commodities which are held for purposes of exchange.

Expense. Expense is any cost necessary to carry on the business.

Interest. Interest is the compensation allowed by law or fixed by the parties for the use or forbearance or detention of money. — Huffcut.

Notes Receivable. Notes receivable are the written promises of others to pay us.

Notes Payable. Notes payable are our written promises to pay others.

Posting. Posting is a process of transferring debit and credit items to their respective accounts in the ledger.

Present Worth. The present worth of the *Proprietor's* account is,

Net credit plus net profit, or

Net credit minus net loss, or

The excess of assets over liabilities.

Receipt. A receipt is a written acknowledgment of money or other value received.

Voucher. A voucher is a written statement proving that some transaction has occurred.

Solvency. When assets exceed liabilities a business is *solvent.*

Insolvency. When liabilities exceed assets a business is *insolvent.*

Journal. The journal is a book in which the debits and the credits of business transactions are arranged systematically; the history of each transaction and the amount are included.

Ledger. The ledger is a book containing the accounts of the business, the debits and the credits having been collected from other books of entry.

Book of Original Entry. A book of original entry is a book in which entries are first made.

Book of Final Entry. A book of final entry is a book to which the debits and the credits of accounts are posted.

Notebook. A notebook contains an itemized record of all notes received or issued by the business.

Charge. The term *charge*, as used in bookkeeping, means *debit*.

Invoice. An invoice is an itemized statement of goods bought or sold. It includes the names, the quantities, the prices, and the amounts.

Rules for Journalizing

General Rule. *Debit* the account that stands for a value received, or for a person or a thing that causes value to go out.

Credit the account that stands for a value given, or for a person or a thing that brings in value.

The following is a general summary for the use of debit and credit:

Debit	Credit
1. Merchandise and other property which is bought	2. Merchandise and other property which is sold
3. That which costs value	4. That which produces value
5. All moneys received	6. All moneys paid out
7. Persons when they become indebted to the business	8. Persons when the business becomes indebted to them
9. Persons when the business gets out of their debt	10. Persons when they get out of debt to the business
11. Other persons' notes received by the business	12. Notes given or issued by the business
13. Notes redeemed or paid by the business	14. Other persons' notes when paid by them to the business

APPENDIX B

COMMERCIAL TERMS DEFINED

Acceptance. The name of an accepted draft; an agreement, by signature, to the terms named in the draft.

Account Current. An open or a running account; a detailed statement of transactions between two persons or two firms.

Account Sales. An itemized statement of sales and expenses, rendered by a commission merchant to his principal.

Acknowledgment. A formal admission, made before a notary or other qualified officer, that the act described was done voluntarily; the officer's certificate of such admission.

Affidavit. A written statement made under oath.

Agent. One who acts for, or in place of, another, by authority from him; a deputy.

Assignee. One appointed by another to do some act or to enjoy some right; generally, one to whom property is transferred for the benefit of the creditors.

Attachment. A seizure or taking into custody by virtue of a legal process.

Auditor. A person appointed to examine accounts.

Bankrupt. Any person whose property becomes liable to administration under the bankruptcy laws.

Bill of Lading. A receipt of a transportation company, containing an account of the goods shipped and the conditions of shipment.

Bill of Sale. A writing given by the seller of personal property to the buyer.

Board of Trade. In the United States, a voluntary organization of business men for the advancement of commercial interests.

Bona Fide. In good faith.

Bond. A written promise under seal, binding a person to do a certain thing or not to do it.

Bonus. Something given in addition to what is strictly due the recipient.

Broker. An agent between buyer and seller; a dealer on the stock exchange.

Capital. The investment in a business.

Cashier. One who has charge of money; in banks, the financial officer.

Certified Check. A check that has been accepted by the bank on which it is drawn, thereby making the bank security for its payment.

Clearing House. An institution in a city where daily settlements are made between banks by the mutual exchange of checks, drafts, etc., the difference between such exchanges being paid in cash.

Collateral. A security additional to the personal obligation.

Common Carrier. One who undertakes the office of carrying either goods or persons for hire.

Copartnership. The voluntary association or joining of two or more persons in a business enterprise. The same as partnership.

Copyright. A right of control granted by a government to an author or a publisher.

Coupon. A certificate of interest due, printed at the bottom of transferable bonds, designed to be cut off and presented for payment when the interest is due.

Credit Memorandum. A notice sent to a purchaser stating that an allowance has been made for goods returned, or for other causes.

Deed. A contract under seal, usually transferring the title of real estate.

Depreciation. A falling of value.

Dishonor. A refusal to pay an obligation when due, or to accept a draft when presented for acceptance.

Dividend. The allotment to each stockholder in the division of profits.

Drayage. Charges for conveying goods from one place to another.

Exchange. The method by which debts are discharged without the actual transference of money; the rate at which such exchange can be made.

Extension. An allowance of further time for the payment of a debt.

Fixtures. That part of the furnishings of a store or an office which is not movable.

Footing. The adding of a column of figures, or the result of such addition.

Forgery. The writing of another's name, as a signature, with fraudulent intent, or the altering of a written document.

Franchise. A certain right or privilege, granted by a government to individuals or corporations.

Freight. Compensation paid for the transport of goods or other property; that with which anything is laden for transportation.

Good Will. The value, in a business, of established reputation or patronage.

Guaranty. An agreement by which one person promises to make another secure in the possession or enjoyment of something; a security against loss.

Honor. To accept a draft, or to pay it when due.

Income. The total amount of the earnings and the receipts of money from all sources.

Index. An alphabetical table of contents.

Indorse. To write one's name on the back of a note, a check, or a draft; to record a partial payment on the back of a note.

Installment. A sum of money paid in stated portions.

Insurance. Indemnity against loss; the premium paid for insuring.

Jobber. A merchant who buys goods from importers and manufacturers, and sells to either wholesale or retail merchants.

Liquidation. Act or process of settling debts.

Lease. A contract, usually in writing, for the temporary possession of real estate or other property.

Letter of Credit. A letter usually issued by a bank, addressed to banks in foreign cities, directing payment of a stated amount to the holder. Such letters are usually carried by travelers.

Manifest. An invoice of a ship's cargo.

Mercantile Agency. An institution which obtains and furnishes information regarding mercantile enterprises, their financial standing, their business reputation, etc.

Money. Current coin; any circulating medium.

Mortgage. A conditional transfer of the title to real estate or chattels as security for the payment of a debt.

Negotiate. To treat with another with a view to reaching an agreement; to transfer for a valuable consideration.

Net. Clear of all charges or deductions.

Notary. A public officer who takes acknowledgments of legal documents and protests paper for nonpayment.

Open Account. A running or an unsettled account.

Open Policy. An insurance policy covering undefined risks and admitting of subsequent indorsements or additions.

Outstanding Accounts. Book accounts remaining unpaid.

Overdrawn. A term applied to a bank account when a check has been issued for an amount greater than one's credit balance.

Patent. An exclusive right to an invention, issued by a government.

Pawnbroker. One who makes a business of lending money on personal property pledged and in his keeping.

Power of Attorney. A legal authority to act for another.

Premium. The consideration paid for a contract of insurance; a sum or bonus in addition to the capital.

Protest. A formal notice, issued by a notary to the indorser or the indorsers of a note or draft, of the nonpayment of a note or a draft, or the nonacceptance of a draft.

Quotations. The published or current prices of stocks, bonds, or any commodity.

Rebate. An allowance for overcharge, for early payment, or for other reasons.

Receiver. A person appointed by the court to hold in trust property which is the subject of litigation, pending the suit; or one who is appointed to wind up the affairs of a partnership or a corporation on its dissolution.

Retail. To sell in small quantities.

Short-extend. To enter individual amounts at the left of the money column, to be extended in total in the money column.

Sinking Fund. A fund set apart for the redemption of bonds or for other specific uses.

Sundries. Many different or small things.

Syndicate. A combination of capitalists who unite their resources to advance some specific business enterprise.

Tariff. A lawful rate of duty on imports.

Terms. Conditions of sale or of agreement.

Tickler. A book containing memoranda of all time paper, and arranged so as to serve for a reminder to pay or to collect.

Trustee. One intrusted with property for another.

Underwriter. One who insures.

Valid. Binding in law.

Void. Not binding in law.

Way Bill. A document containing a description and shipping directions of goods sent by railroad.

Wholesale. Selling large quantities, usually in unbroken packages.

APPENDIX C

ABBREVIATIONS AND GENERAL TERMS

A	America; American
A 1	First class
Acct. or **acct.**	Account
Acct. Cur.	Account Current
Acct. Sales	Account of Sales
Adv. or **adv.**	Advertisement
Agt.	Agent
A.M.	Before noon; Master of Arts
Amt.	Amount
App.	Appendix
Asst.	Assistant
Atty.	Attorney
Av. or **Ave.**	Avenue
Bal.	Balance
B.B.	Bill Book
bbl.	Barrel
bdl.	Bundle
Bk.	Bank
B/L	Bill of Lading
Bld'g	Building
bu.	Bushel
bx.	Box
¢	Cent
Cash.	Cashier
Ck.	Check
Co.	Company; County
C.O.D.	Collect on Delivery
Coll.	Collection; Collector
Cr.	Credit; Creditor
cwt.	Hundredweight
da.	Day
Dep't	Department
Dis.	Discount
do.	The same
doz.	Dozen
Dr.	Debtor; Doctor
E. & O.E.	Errors and omissions excepted
ea.	Each
e.g.	For example
Esq.	Esquire
etc. or **&c.**	And so forth
Ex.	Example
Exch.	Exchange
fig.	Figure, Figures
F.O.B. or **f.o.b.**	Free on board
Fol.	Folio, or page
ft.	Foot
gal.	Gallon
gr.	Grain
gro.	Gross
hhd.	Hogshead
hund.	Hundred
i.e.	That is
in.	Inch
Ins.	Insurance
inst.	Instant; the present month
Int.	Interest
Inv.	Invoice
Jr.	Junior
kg.	Keg
lb.	Pound
L.B.	Letter Book
L.F.	Ledger Folio
Ltd.	Limited
M.	Thousand
Mdse.	Merchandise
Mem.	Memorandum
Messrs.	Gentlemen; Sirs
Mfg.	Manufacturing
min.	Minute
Mme.	Madam
mo.	Month
Mr.	Mister
Mrs.	Mistress
MS.	Manuscript

MSS.	Manuscripts
N.A.	North America
N.B.	Take notice
No. or **no.**	Number
O.K.	All correct
Oz. or **oz.**	Ounce
p.	Page
Payt. or **payt.**	Payment
pc.	Piece
Pd.	Paid
per	By
Per cent or **per cent**	By the hundredths
pk.	Peck
pkg.	Package
P.M.	Postmaster; Afternoon
P.O.	Post Office
pp.	Pages
pr.	Pair
Pres.	President
prox.	Proximo; of the next month
pt.	Pint
P.S.	Postscript
qr.	Quire; Quarter
qt.	Quart
Rec'd	Received
Ret'd	Returned
Rev.	Reverend
R.R.	Railroad
Ry.	Railway
Sec.	Secretary
Shipt.	Shipment
sq. ft.	Square feet
Sr.	Senior
St.	Street; Saint
Str.	Steamer
Sunds.	Sundries
Supt.	Superintendent
Tr.	Transpose
Treas.	Treasurer
ult.	Ultimo; of the last month
U.S.M.	United States Mail
via	By way of
viz.	Namely; to wit
vol.	Volume
vs.	Against
W/B	Way Bill
wk.	Week
wt.	Weight
Yd. or **yd.**	Yard
Yr. or **yr.**	Year

Arbitrary Signs

a/c	Account
@	At *or* to
c/o	Care of
¢	Cent
√	Check mark
$	Dollar
#	Number, if written before a figure; pounds, if written after a figure
%	Per cent
1¼	One and one fourth
1½	One and two fourths
1¾	One and three fourths
′	Feet
″	Inches

APPENDIX D

FORMS AND LEGAL DOCUMENTS

W. O. WEAVER C. W. FREY W. D. RADCLIFFE

Office of

W. O. Weaver & Co.

WHOLESALE GROCERS

Boston, Mass., Sept. 10, 19—

Smith, Perkins & Co.
Rochester, N. Y.

Gentlemen:

Please find herewith a New York draft for Eleven hundred sixty-three and 27/100 Dollars ($1163 27/100) in payment of invoice of Aug. 31, less discount, as follows:

Amount of invoice	$1224 50
Less 5%	61 23
Balance as per inclosure	$1163 27

Yours very truly,
W. O. Weaver & Co.
per R

FORM I. LETTER OF REMITTANCE

Articles of Copartnership *made and entered into this first day of May, one thousand nine hundred and eighteen, between Malcolm D. Gilbert, of the City of Boston, County of Suffolk, and Commonwealth of Massachusetts, and Chas. M. Wentworth, of said Boston:* witnesseth:

First. *This copartnership is formed for the purpose of carrying on in said City of Boston a Jobbing Furniture business under the firm name of M. D. Gilbert & Co., and shall continue for two years from the date hereof unless sooner dissolved by mutual consent.*

Second. *As his contribution to the capital of the firm said Malcolm D. Gilbert hereby transfers to the said firm his business now located at No. 467 East Street, and said firm assumes and agrees to pay the outstanding liabilities of the said business. Said business is taken over at the net value of $14,225, and is more particularly described in the Schedule of Assets and Liabilities hereto annexed.*

Third. *Said Chas. M. Wentworth contributes as his share of the capital as follows: cash, $7000; stock of furniture, $1500; account with Foley Bros., $5725; total, $14,225.*

Fourth. *Each partner shall, semi-annually, be credited on the books of the firm with interest at the rate of 6 per cent per annum on his share of the capital for the time being standing to his credit, before any division of profits is made, such interest charge to be treated as an expense of the business.*

Fifth. *Each partner shall be credited with the sum of $100 per month as salary, and he may withdraw the same monthly, for services rendered, or, at his option, any balance remaining undrawn may be carried to such partner's capital account. Such salaries shall be charged as an expense of the business and not reckoned as profits.*

Sixth. *Profits and losses shall belong to, and be borne by, the said partners in equal shares.*

Seventh. *Neither partner shall, for the benefit of any third person, indorse any notes or negotiable paper, or become surety or guarantor or otherwise liable for the benefit of third parties, without the assent in writing of the other partner first obtained.*

Eighth. *An account of the stock and of the debts and liabilities of the firm shall be taken at least annually, and the profits or losses computed and credited or charged to each partner's capital account. After such accounting, either party shall be at liberty to withdraw his share of any net profits of the firm, and any profits not so withdrawn shall be added to and deemed a part of the capital account of such copartner.*

Ninth. *Neither partner shall engage in any other business, but each shall devote his entire time and attention to and put forth his best efforts and energy for the furtherance of the business aforesaid.*

Tenth. *Complete and accurate books of account shall be kept, used in common, and each partner shall, at all times, have access thereto.*

To the faithful performance of all the terms and conditions of these Articles of Copartnership, the undersigned partners hereby bind themselves each to the other, his heirs, executors, administrators, and assigns.

In Witness Whereof, *the parties have hereto affixed their hands and seals, in duplicate, the day and year first above written.*

[*Signed*] { Malcolm D. Gilbert [SEAL]
Chas. M. Wentworth [SEAL]

FORM II. ARTICLES OF COPARTNERSHIP

Know all Men by these Presents

that we, B. W. Morgan and Robert Hall, constituting the firm of B. W. Morgan & Co., of the City of Boston, Mass., have made, constituted, and appointed, and by these Presents do make, constitute, and appoint, Charles M. Raymond, of the City of Newton, Mass., our true and lawful Attorney, for us and in our name, place, and stead to transact business and to sign and indorse any or all of the notes, checks, drafts, letters, and all other instruments in writing received in the course of or issuing from our business, giving and hereby granting unto our said Attorney full power and authority to sign and indorse such instruments, and to perform all and every act whatsoever about the premises as freely, fully, and effectually as we could do if personally present, with full power of substitution and revocation, hereby ratifying and confirming all that our said Attorney or his substitute shall lawfully do or cause to be done by virtue hereof.

In Witness Whereof, *we have hereunto set our hands and seals this fifteenth day of July in the year nineteen hundred and eighteen.*

Charles M. Raymond
Attorney's Signature

B. W. Morgan [SEAL]

Robert Hall [SEAL]

Commonwealth of Massachusetts
County of Suffolk } ss. *Boston, Mass., July 15, 191—*

Then personally appeared the above-named B. W. Morgan and Robert Hall and acknowledged the foregoing instrument to be their free act and deed.

Before me,

E. C. Mills

Notary Public

FORM III. POWER OF ATTORNEY

Commonwealth of Massachusetts

County of Suffolk
City of Boston } ss. _____

On the tenth day of December, in the year of our Lord one thousand nine hundred and eighteen, I, *W. A. Witler,* **Notary Public,** *duly admitted and sworn, and practicing in said Commonwealth, at the request of Leigh K. Burson,* **Esq., Cashier** *of the Commercial National Bank, went with the original note, which is hereunto annexed, the time therein limited having fully elapsed, and demanded payment thereof at the Excelsior National Bank, and was answered by the Paying Teller, "No funds."*

The note remaining unpaid, I duly and officially notified the indorsers thereof at the following addresses:

Roslyn & Brown, 92 West St., City,
B. W. Hosten & Co., Newton, Mass.,

(postage prepaid) of said default requiring payment.

Wherefore, *I, the said* **Notary,** *by request as aforesaid, have protested and by these presents do solemnly protest, against the drawer of said note, the indorser, and all others concerned therein, for exchange, re-exchange, and all costs, charges, damages, and interest, suffered and sustained, or to be suffered and sustained, by reason or in consequence of the non-payment thereof.*

SEAL

In Testimony Whereof, *I have hereunto set my hand and affixed my Notarial Seal, the day and year first above written.*

FEES

Noting Non-Acceptance . . .	
Postage	
Protesting for Non-Payment .	$1.50
Postage	.04
	$1.54

W. A. Witler
Notary Public

FORM IV. CERTIFICATE OF PROTEST

Commercial National Bank

Boston, Mass., Dec. 10, 19—

Roslyn & Brown
92 West St., City

Dear Sirs:

You are hereby notified that a note for Nine hundred sixty $\frac{50}{100}$ ~~~~~~~~~~~~~~~~~~~~ Dollars drawn by Leeker, Burr & Co., and indorsed by you, dated Sept. 10, 19—, payable three months after date, has been protested by me for non-payment after due demand at the Excelsior National Bank this day, and that you are held answerable for the amount, with all legal costs, interests, and damages in consequence of the non-payment thereof.

Respectfully yours,

W. A Witler
Notary Public

FORM V. NOTICE OF PROTEST

APPENDIX E

THE USE OF TELEGRAMS

The following model suggests the general wording and the form of a telegram as it would be made out on a Western Union blank:

Form 1207

CLASS OF SERVICE DESIRED	
Fast Day Message	X
Day Letter	
Night Message	
Night Letter	

Patrons should mark an X opposite the class of service desired; OTHERWISE THE TELEGRAM WILL BE TRANSMITTED AS A FAST DAY MESSAGE.

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Receiver's No.
Check
Time Filed

Send the following telegram, subject to the terms on back hereof, which are hereby agreed to

Boston, Mass., July 11, 191–

To W. M. Brown & Co.

146 Fifth Avenue, New York, N.Y.

Ship fast freight twenty number sixty library tables

Manning & Ball

SENDER'S ADDRESS FOR ANSWER

SENDER'S TELEPHONE NUMBER Main 237

In writing telegrams, observe the following:

1. Omit the salutation, the complimentary close, and all superfluous words. Avoid such expressions as *Ship immediately by American Express*, etc. Here, and in all similar expressions, such words as *immediately, at once*, etc. are entirely unnecessary. A telegram in itself implies urgency.

2. Make all messages as short as possible, but clear and definite. A fixed charge is made for all messages, except those sent by cable, not exceeding ten words, and for every word in excess of that number there is an additional charge. All charges are regulated somewhat by distance.

3. No charge is made for the name and the address of the person who is to receive the message, or for the name of the sender.

4. The sender of a message should never include his street number when writing his address. A charge is made for everything in the address except the name of the city or the town, the state, and the date. If you are not

generally known in a large city or town, give the sending operator your street address, and answers will be delivered promptly and no additional charge made.

5. Numbers should be written in full, since the charge is the same for a figure as for a word; for example, *Send by fast freight 20 #1000 mahogany library tables* would be counted as fourteen words, while *Send fast freight twenty number one thousand mahogany library tables* would be counted as ten words.

6. Except in a cable message, each part of a compound word is counted as an entire word; for instance, *twenty-five* is counted as two words.

7. Each initial of a name is charged as a separate word, but a few abbreviations are counted as one word, as f.o.b., C.O.D., A.M., P.M., etc.

8. In cable messages a charge is made for the name and the address of the one to whom the message is sent, and for the signature as well as for the message.

9. Many kinds of cipher language are used to guard the secrecy and reduce the expense of messages. This plan is found very serviceable when the cost of transmission is great, or when very important matters are to be telegraphed without giving information except to those entitled to it. Almost all cable messages are in cipher. To telegraph or cable in cipher, business men employ what is called a *code*, — a system of abbreviations in which a single word stands for a whole phrase or sentence; for example, *Autumn* might stand for *Knowlton, Beach & Co., Butleigh, Glastonbury, England*, or *We arrived here this morning*, or any other expression understood by both the sender and the receiver of a telegram or a cable message.

10. All messages of importance should be repeated. For one half the original cost of a telegram the sender of any message can have the receiving operator repeat it to the operator who sent it. Errors in important telegrams are in this way avoided.

11. Night messages are taken at reduced rates. These can be sent at any time after 6 P.M., but they are not delivered until the next morning.

12. *Night letters* will be received not later than midnight, to be transmitted for delivery on the morning of the next business day. Fifty words or less may be sent for the day rate of ten words. Additional charges are made for more than fifty words.

13. *Day letters* will be transmitted at one and one-half times the standard night-letter rate for fifty words or less. Additional charges are made for more than fifty words.

APPENDIX F

THE FORMATION OF PARTNERSHIPS

The following illustrations apply to the formation of partnerships:

First, the formation of a partnership on the basis of equal investment by each partner at the beginning of the business.

The necessary entry is of the simplest character, as follows:

Cash	4000	
A, Investment		2000
B, Investment		2000

When posted, each partner's account will appear as follows:

A, INVESTMENT

19— Jan.	1		4	2000	

B, INVESTMENT

19— Jan.	1		4	2000	

Second, the formation of a partnership by the individual proprietor when he sells a half interest in an established business.

A has an established business worth $15,000; he sells B a half interest for $7500; thus B becomes an equal partner. The money received by A is not a part of the capital of the new firm; it is his individual possession, and the capital of the firm is $15,000.

On A's books, as proprietor, the investment account appeared as follows:

A, INVESTMENT

19— Jan.	1		3	15000	

Under the partnership agreement one half of this sum must be credited to each partner, and this is accomplished by the following journal entry:

A, Investment			7500		
B, Investment					7500

When this entry is posted, the accounts of the proprietors, on the books formerly used by A, will appear as follows:

A, Investment

19—					19—				
Jan.	1		3	7500	Jan.	1		3	15000

B, Investment

					19—				
					Jan.	1		3	7500

Third, the formation of a partnership when the incoming partner makes an investment equal to the value of the established business.

Illustration: A has a business worth $18,000; B invests a like sum and becomes an equal partner. The money invested by B is a part of the capital of the firm, which is now $36,000.

On A's books, as proprietor, the investment account appeared as follows:

A, Investment

					19—				
					Jan.	1		2	18000

The following entry should be made when B makes his investment:

Cash			18000		
B, Investment					18000

When this entry is posted, B's account, on the books formerly used by A, will appear as follows:

B, Investment

					19—				
					Jan.	1		7	18000

A's account will remain unchanged, and each partner is now credited for one half of the capital of the firm.

Note. The cash items in the illustrations may be entered in the cashbook; the journal entry has been used simply to set forth the debit and the credit items more clearly.

Only two partners have been considered, but the principles are the same whether there are two partners or more than two, and whether the investments are equal or unequal.

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